



## **U.S. Department of State FY 2001 Country Commercial Guide: Chile**

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The Country Commercial Guide for Chile was prepared by U.S. Embassy Santiago and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

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### CHAPTER 1. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Chile's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. embassies through the combined efforts of U.S. Government agencies.

Chile is one of the region's most dynamic and promising markets. Its strength and attractiveness lie not in its size (population of 15 million people), but in the energy and professionalism of its entrepreneurs, the transparency of its regulation, and the predictability of its decision-makers.

Market-led reforms over 25 years and an increasingly diversified economy with strong ties to buyers and suppliers in the Americas, Europe and Asia have given Chile a wide range of options for further growth. Prudent economic policy-making has secured long-term stability unknown elsewhere in Latin America.

Chile is a particularly promising market for high technology and capital goods (see sector highlights in Chapter 5). While solid opportunities for U.S. goods abound in Chile, competition is stiff, especially from countries with which Chile has negotiated free trade agreements. The U.S. is Chile's largest single supplier (almost 23 percent of imports), but European and Asian competitors are strong. U.S. exporters to Chile find few problems in financing customers. Sufficient Chilean, U.S., and third-country banks operate in Chile.

It is crucial to establish an effective and efficient presence. Many foreign companies have subsidiaries or branch offices in Chile; others utilize distributors or representatives. Forty percent of Chile's population resides in the Santiago Metropolitan region and is easily reached. Although 60 percent of the population lives outside Santiago, Chile's unusual geography makes it difficult to cover other population centers. Eighty percent of Chile's economy is controlled from Santiago; most agents/distributors operate from there with offices in the regions.

Chile has one of the simplest and most transparent regulatory systems in the region for trade and business. A fixed 9% import duty on most products from those countries without a free trade agreement will be reduced to 6% by 2003. Careful review of regulations and full compliance

with guidelines will ensure more successful and trouble-free operations in Chile. Chile maintains import and export licensing requirements, but they are more for statistical purposes rather than control. Only agricultural products and a few sensitive items face restrictions.

It is not hard for foreign businesspersons to operate in Chile, important because personal contact is essential to doing business. There are flights to Santiago from Miami, New York, Dallas/Ft. Worth, Los Angeles, and Atlanta (proposed). In-country connections are plentiful. A reciprocity visa of USD\$45 remains in effect, is purchased upon arrival to Chile, and is valid for the life of your passport.

## CHAPTER 2. ECONOMIC TRENDS AND OUTLOOK

### Major Trends and Outlook

Although Chile's economy has expanded continuously for the last decade and a half (annual average GDP growth in the 1990's has been better than seven percent), 1998 witnessed the start of a slowdown that lasted through most of 1999. The country's economy contracted 1.1 percent in real terms in 1999 before starting to recover in early 2000. Because Chilean growth is driven by exports, concentrated in primary products and processed natural resources (principally copper, fresh fruit, and forestry and fisheries products), the world economic slowdown and consequent decline in commodity prices negatively affected the country's growth trajectory. Perhaps even more importantly, tight monetary policy in 1998 in response to balance-of-payments pressures greatly contracted demand.

Chile is poised for a strong economic recovery in 2000 and beyond. The recession officially ended with positive GDP growth in the first quarter of 2000, and growth projections for the year are about 6%. Commodity prices are on the rise and balance-of-payments pressures are non-existent. The Government announced a package of tax and public works measures designed to stimulate the economy in June 1999 but remains committed to overall tight fiscal policies to ensure a sustained recovery.

Soaring investment, both foreign and domestic, sparked the export boom of the 1990's. Although foreign investment continued strong in 1998, domestic investment slowed due to the monetary tightening. Both the product mix of and the markets for Chile's exports are becoming increasingly diversified, with dependency upon copper slowly declining and Latin America joining the U.S., Asia, and the European Union as important purchasers of Chilean products.

The strong job creation and attendant decline in unemployment (which had fallen to 5.5 percent by mid-1998) of the last several years reversed late in 1998 as growth slowed. Despite the current economic recovery, unemployment remains stubbornly high at about nine percent. The growth in real wages of better than five percent annually that occurred in the middle of the

decade ended during the recession but should resume once the recovery solidifies. Inflation has declined gradually since 1990, ending 1999 at 2.4 percent. Inflation in 2000 will be higher due mostly to transportation costs, but still very manageable.

Despite the successive financial crises in Asia, Russia and Brazil from late 1997 to early 1999 that led to a general lack of confidence in emerging markets, Chile's credit rating remains the best in Latin America. Since Chile first received an investment-grade rating in 1992, Chilean firms have raised funds abroad -- through borrowing, selling bonds, and stock issues -- to finance investment. The government is paying down official debt. Chile's public and private external debt at the end of 1999 was, respectively, \$6 billion and \$28 billion.

The overall 1999 trade account enjoyed a \$1.6 billion surplus, while U.S.-Chile trade was in rough equilibrium. The current account deficit, which was more than five percent of GDP at the onset of the recession in 1998, was reduced dramatically by tight monetary policy that year. The current account finished 1999 in a slight surplus and will not be a problem in 2000. The Government of Chile in late 1999 dropped the exchange-rate band system that sought to keep the peso/dollar rate within pre-set parameters.

The decline in international investor confidence in Latin America after the successive financial crises from late 1997 to early 1999 initially impacted Chile, but a strong reduction in domestic demand induced by the monetary authorities and fiscal belt-tightening by the government helped restore it. Chile's high domestic savings rate (fostered in part by mandatory retirement contributions administered by private pension fund management firms) continues to ameliorate dependency on short-term foreign capital to finance investment. Because foreign investment in Chile is mostly direct investment, it is not likely to flee the country in response to temporary bad news. Chile's high rate of investment suggests that production will continue to grow rapidly in coming years.

Of total government revenue in 1999, 73 percent was derived from tax revenues; eight percent from operational revenues, some seven percent from social security contributions and the remaining 12 percent came from other sources. Of overall tax revenues, the most relevant were a value-added tax, income taxes, taxes on specific items such as cigarettes, import duties, and profits from state enterprises.

Chile's reliance on exports and desire for market diversification have led it to seek opportunities to further open several current or potential markets. Chile joined the Asia Pacific Economic Cooperation (APEC) organization in 1994. It has signed bilateral trade-liberalizing agreements with a host of nations in various regions of the world, including NAFTA-like free trade agreements with Canada and Mexico. Chile and the European Union launched exploratory trade talks in early 2000, and Chile remains an active participant in the negotiation of the Free Trade Area of the Americas (FTAA). Chile also has expressed strong interest in ultimately becoming a

full member of MERCOSUR.

### Government Role in the Economy

Businesses in Chile are predominantly owned and controlled by private interests. Prices, except those of regulated utilities, are set freely. The state retains holdings in several industries. The most important public corporation is CODELCO, the world's second largest copper company, which the government has said it will not sell. In 1994 and 1995, the Frei administration sold the government's remaining share in an airline and its electricity, shipping, and radio holdings. The majority of new highway projects, as well as port and airport infrastructure, are being built under a private concession program.

The public-sector budget is approximately 22 percent of GDP. Important sources of tax revenue are the 18 percent value-added tax, personal income taxes, corporate taxes, and import tariffs. The top marginal personal income tax rate is 45 percent on income above \$75,000. The government generally runs budget surpluses of around two percent of GDP, but the recent recession and temporary spending measures to combat it resulted in a small deficit (.5 percent of GDP) in 1999.

### Balance of Payments Situation

Chile's international reserves, more than \$15 billion, represent better than one year's worth of imports. For the last several years, capital inflows have more than made up for current account deficits. Due to surging domestic demand that increased imports substantially in 1998, the independent Central Bank sought to reduce pressure on the country's current account by tightening real interest rates substantially. (At one point, inter-bank lending rates were ratcheted up to 14 percent in real terms.) The lag effect of such a high rate contributed to the recession lingering through the end of 1999, but dramatically lower rates – 5.5 percent in real terms in mid-2000 – are helping to fuel the economic recovery. Rates are expected to increase only modestly in 2000, if at all.

### Infrastructure Situation

The Chilean government has targeted the highway network for more, mostly private-sector, investment. With the government awarding over \$1 billion in road concessions to allow private firms to build and manage toll roads, the Pan-American Highway, the major north-south route, is in good condition, but mostly at capacity. Concessions either have been awarded or are in the process of being awarded for the most heavily used 1,000 miles of the Pan-American Highway, from La Serena to Puerto Montt. Roads are adequate in many areas, but many secondary highways are unpaved and some serious bottlenecks exist, particularly in urban areas.

Many international airlines operate from Santiago's airport, linking Chile with the United States and Europe. The U.S. and Chile signed an "Open Skies" aviation agreement in October 1999. Three major U.S. carriers now serve the Chilean market; one expects to leave in October 2000 and another to begin service in November 2000. A number of adequate airports are located throughout the country. The government is upgrading many regional airports and expanding the international airport in Santiago through awards of concessions to private companies. Two privately owned Chilean airlines operate nationwide and link Chile with many foreign countries. Smaller regional airlines are also beginning to impact domestic air travel.

Major ports are located on the Pacific Ocean; the principal one is Valparaiso, which is about 80 miles (130 kilometers) from Santiago. Others are Arica, Iquique, Antofagasta, San Antonio, Talcahuano, and Punta Arenas. Foreign and local shipping lines handle international traffic, whereas several local companies handle coastal traffic. Recognizing that the port facilities are largely inadequate for the growing and changing nature of Chile's trade, the government is awarding service and management concessions for the ports.

Chile's telecommunications infrastructure is excellent and one of the best in the hemisphere. Cable, fax, telephone and internet service rival those found anywhere in the world, in part because of heavy U.S. investment. The phone system is completely digital. There are eight international long distance carriers and three cellular telephone networks. Personal Communication System (PCS) telephones were introduced in early 1998. Several internet service providers supply the rapidly growing demand; Chile is among the Latin American markets with the fastest internet growth rates.

The Santiago subway has been in operation since 1976. It is efficient and well maintained, and expansions to the system have continued.

Chile's railroad system, the fourth largest rail network in Latin America (5,511 miles, or 8,870 kilometers), urgently needs to be upgraded and expanded. The railroads are mostly property of the state-owned company "Ferrocarriles del Estado." The government plans to auction to private firms the right to operate the company's passenger service. Two railroads connect with Bolivia, one of which is privately owned.

## CHAPTER 3: POLITICAL ENVIRONMENT

### Nature of Political Relationship with the United States

U.S.-Chilean relations are excellent. President Frei made a state visit to the U.S. in February 1997. In April 1998, President Clinton attended the Second Summit of the Americas in Santiago and led a delegation of cabinet officials for a reciprocal state visit to Chile. Relations have remained equally strong since Frei's successor, Ricardo Lagos, took office in March 2000. Chile



is an active participant in numerous international organizations and supports a wide variety of key U.S. policy objectives.

### Major Political Issues Affecting the Business Climate

Chilean politics is marked by broad consensus among the major parties about the importance of a democratic political system and a free-market economic system, not unlike the United States. Key differences between the center-left governing coalition and the center-right opposition involve strategies for and the role of government in addressing issues such as poverty eradication, health care, infrastructure and education.

### Brief Synopsis of the Political System

President Ricardo Lagos, a U.S.-educated Socialist and founder of the Party for Democracy, leads a coalition formed predominantly by four center-left parties. Lagos took office in March 2000, after defeating the rightist opposition candidate in an extremely close, unprecedented second-round vote. Lagos has put in place a top-notch economic team; his principal economic advisors are U.S.-trained and internationally renowned for their technical expertise, and they share Lagos's strong commitment to Chile's successful free-market economic model. Lagos himself is an economist by training and previously served in several prominent government positions, including Minister of Public Works.

Lagos heads Chile's powerful executive branch, and his center-left coalition currently has a majority in both the lower and upper houses of Congress (the Chamber of Deputies and the Senate).

For much of this century, Chilean politics was marked by a three-way division between the political right, center and left, with each holding roughly one-third of the vote. Today, Chilean politics revolve around two large political blocs: the center-left governing coalition and the center-right opposition. The former includes the centrist Christian Democratic and Radical parties, the moderate leftist Party for Democracy and the Socialist Party. The opposition coalition includes the rightist Independent Democratic Union and center-right National Renewal Party. Chile has several small fringe-left parties, including a largely unreconstructed Communist Party, which are not represented in the Executive Branch or the Congress, but which have elected representatives in some local governments.

### Election Schedule

October 2000:           Municipal elections

December 2001:       Congressional elections (all Deputies and half the elected Senators)

December 2005:        Presidential elections

March 2006:         Presidential inauguration

## CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

### Distribution and Sales Channels

Establishing a local subsidiary or branch office gives the best guarantee that the exporter will receive efficient service and appropriate promotion of its products. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile. This method of market penetration may involve a considerable investment, but can be justified if sales are large in volume or when local service support and/or inventory are necessary.

Another practical and more common market entry strategy is to appoint an agent or representative with good access to relevant buyers and with technical expertise. Distances are great in Chile, and larger representatives usually have branch offices in different regions. Some large end-users, e.g., mining and forestry enterprises, demand quick service and specialized technical support.

Despite the elongated Chilean territory, its population of 15 million is very centralized: 40 percent live within 100 miles of the capital in the Metropolitan Region. Most manufacturing, trade and service activities are managed from Santiago, the capital. It is common in Santiago for importers and manufacturers dealing in mass distribution items to distribute directly to large wholesalers or retail stores.

Sales outlets are traditional storefronts as well as large department stores, supermarkets, and hypermarkets. Well-designed shopping malls are a booming business in Santiago and the larger cities throughout Chile. These malls are anchored by one or two large department stores surrounded by specialty stores or boutiques. This is a good way to display and market consumer products.

No discount general merchandisers operate in Chile. Most products found in U.S.-style mass merchandisers (e.g., Walmart, Kmart, Target, Venture, Caldor, etc.) are sold through department stores. Home Depot started operation in Chile in 1998 and has three stores in Santiago, one in Concepcion and is opening a fourth one in Santiago by the end of this year.

### Use of Agent and Distributor - Finding a Partner

About 3,000 importers currently operate in Chile; some of them also act as export agents. Most are small-to-medium size firms. Several large firms handle different lines of products and are large wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including in the free-trade zones. Other firms employ specialized traveling salespeople.

In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. To be effective, this local representative must be aggressive, knowledgeable about the product, and well connected with decision-makers at end-user firms. The representative will need to promote the products through newspapers, specialized magazines, radio and TV. Agent/representative commissions normally range from 5 to 10 percent, depending on the product. For contract requirements, see "Need for a Local Attorney" in this Chapter.

The U.S. firm should be thorough in selecting the agent or representative. For this purpose, it may wish to make full use of the several services offered by the U.S. Department of Commerce Export Assistance Centers. These services include: the Agent/Distributor Search (ADS), which helps identify interested agents and distributors; the Customized Market Analysis (CMA) market reports, which can identify potential representatives and supplies a profile of the product in the market; the Gold Key Service (GKS), which can assist exporters in arranging appointment schedules and support services that optimize their time and travel expenses; and the International Company Profile (ICP), which provides commercial background information on local private-sector companies. Other information and contact facilitator services include the Flexible Market Research product, which is a means to respond to very specific questions and research requests, the contact list service, and video conferencing to support core services.

### Franchising

Since 1990, franchises have rapidly developed in Chile. About 80 franchises operate in Chile with over 300 franchise stores. This industry sector provides direct employment for 13,500 employees and accounts for sales reaching US\$ 300 million.

Chile has no special laws on franchises. The Association de Franchising de Chile (AFICH, the Chilean Franchise Association) was established in June 1995, but it has not been active and is still organizing its functions. Its main purpose is to obtain approval by the Chilean congress of a franchise law.

Franchise companies operating in Chile are subject to regular trade laws. The withholding tax on royalties is 35 percent, the value-added tax (VAT) is 18 percent, and the import tariff is a flat 9 percent with only a few exceptions for certain agricultural and luxury products. (For detailed information on this sector, please see Chapter 5.)

### Direct Marketing

Direct marketing is well established in the services sector, mainly in banking and financial institutions, seminar organizers, telecommunication services, etc. The most common way to conduct direct marketing is to hire personnel for telemarketing or mailing campaigns or to contract the services of a firm specializing in this type of service.

Direct marketing or catalog sales are not yet common in the market. The low interest shown by Chilean consumers is mainly based on mistrust of warranty claims and promises of after-sales services. Chilean consumers prefer to window-shop, to walk and browse in shopping malls or shopping districts and personally to choose the goods rather than to purchase through catalogs. Exchange of products in Chile is a complicated matter for vendors, who are not inclined to return the money due to VAT complexity. Credit card penetration in Chile is only 8 – 11%.

### Electronic Commerce

The internet is here to stay in Chile. Local businesses are beginning to communicate with other businesses and with clients through the internet, incorporating digital information technology in their business processes. However, Chile still faces challenges that limit the full development of the internet and its related services. Therefore we would recommend using predominantly traditional market entry strategies and using the internet and other digital technologies to reinforce and complement those strategies.

Internet use is growing rapidly, but the penetration rate is still low compared to the U.S. Total Internet users are less than 17% of the population, and 76% of homes and 22% of small businesses do not have computers. The internet is used primarily for education and entertainment, with work and e-commerce use much less extensive. For example, only 7% of internet users shop on-line. Furthermore, while the telecommunications infrastructure of Chile is among best in Latin America, local access charges for internet use still make heavy internet use expensive. E-banking is underdeveloped in Chile, and the Chilean consumer does not trust the Internet to keep credit card information safe while shopping. However, the Government of Chile supports the development of the Internet and is fostering a public-private alliance to: 1) increase access to the Internet; 2) create secure and trusted methods of payment and certification; and 3) enhance product distribution throughout Chile.

E-commerce data as of July 2000: 1.2 million Internet users (March 2000), up from 250,000 in March 1999 and with estimates of 4 million users by 2004; 103 Internet e-tailers registering US\$2.6 million in sales; Internet purchases from the U.S. by Chileans of \$10 million in 1999; Estimates for B2C purchases by Chileans using the Internet (including imports – primarily originating from the U.S.) are \$45 million in 2000 and \$455 million in 2004; Estimates for B2B transactions in Chile using the Internet are \$88 million in 1999, \$262 million in 2000 and \$6.5 billion in 2004.

Several good web sites provide valuable information on the Chilean market, Chilean companies, and imports into Chile of specific products. B2B and B2C websites are increasing in number, but are very new.

<a href="http://www.usembassy.cl">www.usembassy.cl</a>	The website of the U.S. Embassy in Chile. Includes links to U.S. Commercial Service pages in English ( <a href="http://www.usatrade.gov">www.usatrade.gov</a> ) and Spanish ( <a href="http://www.comerciousa.org">www.comerciousa.org</a> ). English site contains staff directory, recommended trade shows, product/service description, and the Country Commercial Guide.
<a href="http://www.e-expousa.doc.gov">www.e-expousa.doc.gov</a>	On-line virtual trade show. Exhibits feature electronic trade leads, international exposure, multimedia and more. Sponsored by the U.S. Department of Commerce and produced in the English and Spanish languages.
<a href="http://www.chileinfo.com">www.chileinfo.com</a>	ProChile (Government of Chile trade agency) website in English. Features import database that can be used by the U.S. exporter to see how much of what product is imported into Chile and from what country. The database gives details on Chilean importers of record. Searchable by product name and HS number.
<a href="http://www.chilnet.cl">www.chilnet.cl</a>	Business directory for companies in Chile. Spanish and English language site that provides extensive contact information on Chilean businesses by activity and type.
<a href="http://www.compraschile.cl">www.compraschile.cl</a>	Lists all Government of Chile purchases and contracts. Spanish language only. Includes specific product procurements as well as a list of concession projects. Launched in 1999.
<a href="http://www.mmprocurement.com">www.mmprocurement.com</a>	Mining industry procurements. Representing a consortium of 14 mining companies, including the largest state-owned company in Chile (CODELCO), this multi-language site is designed to increase efficiencies in B2B procurement for the mining industry.
<a href="http://www.senegocia.com">www.senegocia.com</a>	B2B marketplace launched June 30, 2000. English version of site under construction. Costs \$40 to join; seller pays \$.30 per quote; buyer pays 1.5% of the value of the transaction.

### Joint Ventures/Licensing

As Chile continues to establish itself in world markets, the reactivation of its economy makes more sectors attractive for joint ventures and licensing. These mechanisms are especially attractive when local manufacturing or finishing capacity exists for products whose market costs are affected by shipping costs.

Joint ventures are also attractive because they allow U.S. firms to approach more effectively sectors such as consumer goods. Other areas, especially where Chilean industry has increased its technology and productivity, may be attractive.

Joint ventures and licensing arrangements require a legally established local partner who can be responsible for Chilean legal and taxation obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

### Steps to Establishing an Office

Incorporating in Chile is not expensive and takes little time. Chile has no minimum local participation requirement, and the inclusion of local partners is guided only by commercial considerations. However, a legally established corporation or partnership is absolutely necessary to do any business in Chile except for exporting to the country.

The first step for a U.S. citizen, corporation or entity wishing to establish a business in Chile is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, without which it will be barred from conducting commercial activities in Chile.

Within the framework of Chilean law, business entities can choose among various corporate forms, entailing somewhat different legal, taxation and other effects. Since the tax treatment is substantially similar for the various forms of businesses, the choice of entity is often guided by U.S. tax considerations.

### Selling Factors/Techniques

The most important selling factor in Chile is price. Price-competitive products from Asian countries such as Taiwan and Korea far outsell more expensive European or North American products in consumer product categories such as electronics, appliances and automobiles.

Where dependability becomes more important, such as in advanced electronics and construction machinery, the customer often prefers more expensive North American or European products. While price remains a fundamental factor, factors such as quality, durability, technology, good customer support and a strong regional service structure influence the purchase decision, with the order of importance depending on the industry, the customer and the application.

Many of the larger distributors and representatives have regional offices in addition to their Santiago headquarters, or work with commissioned salesmen to cover all of Chile. More technical product categories are generally sold by visiting salesmen rather than in showrooms or retail outlets. Technical salesmen demonstrate products to clients who prefer to be visited in their offices or are too far from sales points. More thoroughly trained technical sales support personnel often back up the salesmen during client visits.

Payment for major purchases is generally net 30 days when invoices are used. Over-the-counter purchases are paid in cash, check or credit card. Most retailers use credit terms as a sales technique. Major department stores and chains issue their own credit cards.

#### Advertising and Trade Promotion

Television, radio, newspaper and magazine advertising is used heavily to reinforce in-store-merchandising methods. Private agencies handle most advertising. Most of these agencies belong to the Asociacion Chilena de Agencias de Publicidad (Chilean Association of Advertising Agencies, ACHAP), located at Fidel Oteiza 1921, Of. 801, Tel: (56-2) 269-9578 or 269-9579, Fax: (56-2) 274-8793.

ACHAP estimates that about \$580 million was spent on advertising in 1999. Newspapers accounted for 36 percent of advertising revenues, with El Mercurio, the newspaper of record, absorbing about 58 percent of that. Radio advertising took 9.8 percent, outdoor advertising (billboards, subway posters, road signs, etc.) about 6.5 percent, and magazines 3.6 percent.

Chile uses the NTSC system for TV broadcasting. Chile has five national broadcast television networks. All of them, including the state-owned but autonomous National Television (TVN), are self-supporting through advertising.

TV broadcasting stations in Santiago are: Channel 4, La Red; Channel 5, Universidad Católica Valparaíso (UCV); Channel 7, Televisión Nacional (TVN); Channel 9, Megavisión; Channel 11, Chilevisión; and Channel 13, Corporación de Televisión de la Universidad Católica; plus UHF television station Gran Santiago Television, Channel 21.

Programming depends heavily on foreign series and movies. Dubbed U.S. product predominates, but Mexican, Venezuelan, Brazilian, Argentine and Japanese material can also be seen. Locally

produced news, magazine shows, variety shows and soap operas are high quality and draw large prime-time audiences.

### Cable TV

Cable television reaches an estimated 730,000 households in Chile, 51 percent of them in Santiago. Two major cable systems (Metropolis-Intercom and VTR-Cablexpress) operate in 95 percent of the country. Both rebroadcast all local stations, as well as major international channels from the United States, Italy, France, Germany, Argentina, Brazil and Mexico. U.S. offerings include CNN International, HBO Ole, MTV, TNT, Worldnet, ESPN, Cartoon Network and MSTV.

### Radio

Radio is Chile's most extensive mass medium and reaches more people in more places than any other medium. Nearly all Chilean stations operate commercially, and six have network affiliates. The National Radio Association (ARCHI) reports 179 AM and 614 FM stations in the country, with 24 AM and 32 FM stations in Santiago. An estimated 93 percent of Chile's population listens to radio. The figure for Santiago is 97 percent. ARCHI's statistics state that there are 17 million radio sets in Chile.

Radio is a prime source of current news to millions of Chileans, and the national networks devote large budgets to maintaining professional news staff to meet the public's considerable news appetite.

The principal national networks are Radio Cooperativa (76 AM and 93.3 FM), number one in the metropolitan area; Radio Chilena (66 AM and 100.9 FM) and Radio Agricultura (57 AM and 92.1 FM). Other major musical and commercial FM radios are Rock &Pop, Pudahuel, Corazon, Romantica and Activa.

### Newspapers

Chile has approximately forty newspapers ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from as many as 300,000 copies (Sunday edition of Santiago's El Mercurio) to 3,000 copies of a regional paper. Santiago has nine major newspapers with a combined daily circulation of approximately 479,000. The circulation of local dailies in the regions is approximately 220,000. Considering an average readership of three persons per newspaper, total readership countrywide can be estimated at more than 2,000,000.

Two major established newspaper enterprises operate in Chile: the El Mercurio chain, owned by the Edwards family, which has 15 dailies affiliated throughout Chile, and Consorcio Periodístico



de Chile (COPESA), owned by Alvaro Saieh, Alberto Kasis and Carlos Abumohor, which publishes country-wide circulation La Tercera, popular La Cuarta, daily free tabloid La Hora and the newsweekly Que Pasa. El Mercurio of Santiago is Chile's most influential and prestigious paper, and has a national distribution. El Mercurio competes with La Tercera for the largest readership.

In addition, also published in Santiago are economic and financial newspapers El Diario and Estrategia and English-language periodical The News Review, published twice a week. Government-owned La Nacion, the independent daily El Metropolitano, mass-oriented Las Ultimas Noticias (El Mercurio-owned) and the El Mercurio chain's afternoon La Segunda complete the newspaper panorama of Chile's capital city.

Virtually all towns of reasonable size in Chile have newspapers that focus on local news. Apart from the El Mercurio chain dailies, approximately 25 other independent regional dailies are published with small circulation. The most important regional daily is Concepcion's El Sur, with a circulation of approximately 30,000.

The largest newspaper in advertising revenue is El Mercurio:

El Mercurio S.A.P.

Santa Maria 5542, Las Condes, Santiago, Chile

Tel: (56-2) 330-1111; Fax: (56-2) 228-9289

All Chile's leading newspapers carry weekly inserts or supplements on agriculture, construction, computers and fashion. They also publish special inserts on various topics, including vehicles, throughout the year.

## Magazines

The major news magazines published in Santiago for a nation-wide readership are Que Pasa (approximate circulation 20,000), which covers current events and political analysis, biweekly Ercilla (approximate circulation 12,000) and three business-oriented monthly magazines, AmericaEconomía, Capital and Gestion. Cosas and Caras, profusely illustrated biweeklies with a Life-magazine format, carry "jet set" articles as well as political interviews of national and international interest. Other publications include El Siglo, the weekly Communist Party official publication; Punto Final, a biweekly publication of the extreme-left group Movimiento de Izquierda Revolucionario (MIR); Paula, a women's magazine; Mensaje, an intellectual monthly published by the Jesuits; and several sports and TV/motion picture magazines.

Approximate circulation for Santiago's major newspapers and magazines:

Dailies:

	Monday – Friday	*Sunday
La Tercera	120,000	230,000
El Mercurio	100,000	300,000
Las Ultimas Noticias	70,000	100,000
La Cuarta	100,000	100,000
El Metropolitano	25,000	30,000
La Segunda (evening)	35,000	N/A
Estrategia	15,000	N/A
El Diario	12,000	N/A
La Nacion	5,000	N/A
Total	482,000	760,000

## Magazines:

## Weeklies -

Que Pasa	20,000
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## Biweeklies –

Ercilla	10,000
Cosas	25,000
Caras	20,000
Total	55,000

\*All circulation figures represent projected daily nationwide sales and are only estimates, as no dailies submit circulation figures to public verification.

The following are estimated average ratings for the five national broadcast networks for the period January – June 2000. Each point represents approximately 35,000 homes and/or approximately 140,000 viewers.

TVN - National Television of Chile (Channel 7) (State-owned)	11.2 points
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UCTV - Catholic University of Chile (Channel 13) (Privately owned by the Catholic University of Chile)	10.6 points
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Megavisión (Channel 9) (Privately owned by Ricardo Claro and Televisa)	7.8 points
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Chilevisión (Channel 11) 4.2 points  
(Privately owned by the Ibero-American Media Partners holding company)

La Red (Channel 4) 2.5 points  
(Privately owned by Mexican investor Angel Gonzalez).

### Pricing Products

Pricing starts with a fairly straightforward formula based on CIF costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30-50 percent (or more for direct sales to consumers) or 20-30 percent each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-distributed U.S. items should be competitive with imports from Asia and countries like Brazil. Higher-priced items must identify niche market segments to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn 5-10 percent on their sales.

Generally, a nine-percent tariff is levied on the CIF value of all imported products, with the exception of a zero-percent tariff on computers and books. As of January 1, 2001, this tariff will be decreased to eight percent, declining one percentage point per year until January 2003 when the standard tariff will reach six percent. This tariff and a value-added tax of 18 percent are paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these fees, and some luxury goods have higher tariffs. Imports from countries with which Chile has bilateral trade agreements are covered by different, preferential tariff schedules.

### Sales Service/Customer Support

Customer service and support are fundamental to successfully penetrating and retaining market segments. The distance and communications hurdles separating local buyers from foreign suppliers are a perpetual worry to buyers, as many have been left stranded after buying a product with insufficient or no post-sale technical support.

In addition to the fact that consumer rights are becoming an issue, any product with a need for operator training or technical service must have this support provided by a stable local company with solid support from the overseas supplier. Bad reputations acquired by disregarding customer needs are hard to reverse.

### Selling to the Government

Government entities usually do their own procurement. Chilean law calls for public bids for large purchases, although procurement by negotiation is permitted in certain cases. A B2B web site ([www.compraschile.cl](http://www.compraschile.cl)) has been established to increase transparency and reduce costs of government procurements.

Foreign and local bidders on government tenders must be registered with the Chilean Direccion de Aprovisionamiento del Estado (Bureau of Government Procurement Supplies), Amunategui 66, P. 4, Santiago, Chile. They must also post a bank and/or guarantee bond, usually equivalent to ten percent of the total bid, to assure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected and familiar with the bidding procedures. (See Chapter 11 for a list of government agencies.)

### Protecting Your Product from IPR Infringement

Chile belongs to the World Intellectual Property Organization, and patents, trademarks, industrial designs, models and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). Chile's intellectual property regime is generally compatible with international norms, with a few exceptions. Industrial designs and models are protected for a non-renewable period of ten years. The registration of trademarks is also valid for renewable periods of ten years.

In 1992, the Chilean Congress approved legislation that expands copyright protection from 30 to 50 years. Despite this copyright protection, industry sources estimate that copyright infringement in Chile cost U.S. firms \$52.5 million in 1999. Most infractions are found in small and mid-size companies. Software piracy should decline as local suppliers adopt more vigorous legal strategies to protect their rights.

A common problem faced by foreign companies that wish to begin operations in Chile is that other individuals or companies may already have their trademarks. Chilean courts have been supportive in cases where the trademark has been "stockpiled" but gone unused, but less so in cases where investments were made in use of the trademark. In either case, proceedings can be lengthy and expensive. The foreign firm should make a business decision whether to take legal action or to negotiate with the party who registered the trademark. A trademark should be registered as soon as the exporter/investor has any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries, and trademarks may be perpetually registered in periods of ten years at a time. Firms wishing to register their trademarks should do so at the Ministry of Economy, Departamento de Propiedad Industrial, Moneda 970, P. 1, Tel: (56-2) 688-3124.

### Need for Local Attorney

Because contracts with Chilean firms must abide by Chilean laws, U.S. companies entering the Chilean market should have all legal documents drawn up or checked by a qualified legal counsel. The Commercial Section of the U.S. Embassy in Santiago can supply a list of attorneys practicing in Santiago. This list of attorneys also can be obtained at [www.usatrade.gov/chile](http://www.usatrade.gov/chile) under “services.”

Suppliers can establish their legal relationship with a local representative in one of two ways: an ordinary work contract regulated by Labor Law 19.010, for which some legal guidance is advisable, or the more customary commercial or commission contract, by which the parties establish their own terms and conditions and are not bound by requirements of Law 19.010, especially its severance conditions.

To avoid legal expenses under a commission contract, the supplier should: (a) establish specific performance conditions for the representative; (b) decide upon ground rules for termination; (c) determine territory to be covered by the representative, as the supplier later may wish to appoint additional agent(s) elsewhere in Chile; (d) have local counsel review the text to ensure its consistency with Chilean law, and (e) include reference to the Amcham’s Arbitration Center or include the Center’s standard arbitration clause (see [www.amchamchile.cl](http://www.amchamchile.cl)). In establishing a contractual relationship with a local representative, the U.S. supplier should also ascertain its contractual liability vis-a-vis the representative under Chile's labor law.

### Amcham Chile

The American Chamber of Commerce of Chile (Amcham) is a non-profit organization with over 500 corporate members and over 1000 individual members. Amcham conducts a variety of activities designed to promote bilateral trade and investment and provides a good way to meet U.S. and Chilean businesspeople. The U.S. Embassy in Santiago works extensively with the Amcham on a variety of issues and activities. The Amcham publishes a monthly magazine, *The Journal*. For more information on Amcham and its activities, please contact Jaime Bazan, General Manager, tel. (562) 290-9700, fax (562) 206-0911, web page [www.amchamchile.cl](http://www.amchamchile.cl)

## CHAPTER 5: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

### Best Prospects for Non-Agricultural Goods

For industry Best Prospect, you can also check [www.usatrade.gov/chile](http://www.usatrade.gov/chile) under Best Prospects.

Sector	U.S. Exports to Chile for 2000 (Projected in millions of U.S. dollars)
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1.	Pollution Control	\$542
2.	Computer Equipment	\$378
3.	Telecom Equipment	\$350
4.	Franchising	\$162
5.	Medical Equipment	\$130
6.	Travel & Tourism	\$118
7.	Food Processing Equip.	\$ 96
8.	Plastics Mach. & Resins	\$ 76
9.	Air Cond. & Refrigeration	\$ 65
10.	Construction Equipment	\$ 60
11.	Mining Equipment	\$ 36
12.	Security Equipment	\$ 8

#### 1. Pollution Control Equipment

The privatization of sanitary companies is already in process, and it generates great potential for U.S. companies in the water sector. The most important areas are wastewater treatment, sewage treatment and treatment of industrial effluents.

Thirteen sanitary companies operate in the country, one for each region in Chile. The largest sanitary companies, EMOS and ESVAL, have already been privatized, along with ESSAL and ESSEL, two small ones in Chile's regions. Each of them must undertake those projects that will produce and supply clean drinking water, collect, treat and dispose of wastewater and provide adequate sewage treatment. Only 18 percent of Chile's water (and only 3 percent in Santiago) receives treatment of any kind. For further information on these companies, interested parties may check the following web sites: [www.emos.cl](http://www.emos.cl); [www.esval.cl](http://www.esval.cl); [www.essal.cl](http://www.essal.cl); [www.essel.cl](http://www.essel.cl)

Currently, ESSBIO is in the privatization process, which will culminate in September 2000 when its adjudication takes place. The next in line are ESSAM and ESSAR, located in Chile's central and southern regions. These two are awaiting only the political decision to start the privatization process. For further reference, interested parties may check the following web site: [www.essbio.cl](http://www.essbio.cl); [www.essam.cl](http://www.essam.cl); [www.essar.cl](http://www.essar.cl). The sanitary companies that have not gone through the privatization process are still in hands of CORFO, a state-owned agency. Further information may be found at: [www.corfo.cl](http://www.corfo.cl). An estimated \$7 billion is expected to be invested in the next five years in water treatment, depending on the privatization process, the regulations imposed on the industry for wastewater reduction and enforcement of the standards.

The National Environmental Commission, CONAMA, is the institution that coordinates the different government agencies in matters related to the environment and that promotes environmental policies in Chile. Information on CONAMA may be found at [www.conama.cl](http://www.conama.cl)

INDUAMBIENTE is the only environmental publication in Chile. Further information may be found at [www.altiro.com/induambiente](http://www.altiro.com/induambiente)

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	750	975	1,400
B. Total local production	5	6	7
C. Total exports	0	0	0
D. Total imports	745	969	1,393
E. Imports from the U.S.	377	452	542

## 2. Computers & Peripherals

Chile continues to be a good market for U.S. suppliers of computers and related equipment. Computer use is expected to grow six percent this year, as the market recovers from the slowdown caused by the Y2K issue.

Chilean imports of information technology products and related equipment totaled approximately \$1,066 million in 1999, representing a 4.8% decrease over 1998. Of this amount, approximately \$400 million represent imports of computer equipment. Growth of the computer-equipment sector is estimated to reach eight percent in 2000. Personal computers and workstations show the highest demand, followed by mid-size equipment. Rapid growth of Internet usage is fueling PC purchases.

After the Chile-Canada free trade agreement was enacted, the tariff for importing computer products into Chile was eliminated. U.S. suppliers now can compete in equal terms with other supplying countries. Chile's major supplier of computers and peripherals is the U.S., accounting for about 80 percent of the market. The main competitors are Singapore, Mexico and Taiwan.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total Market Size	1,100	1,066	1,150
B. Total Local Production	8	9	7
C. Total Exports	8	9	15
D. Total Imports	653	610	680
E. Imports from the U.S.	323	355	378

## 3. Telecommunications

Chile's telecommunications sector is the most advanced in Latin America due to an effective regulatory regime that has led the market to full competitiveness after privatization and market liberalization. As a result, huge investments have been made by the private sector in telecommunications infrastructure and services.

Under the General Telecommunications Law, the Undersecretariat of Telecommunications (SUBTEL) regulates the telecommunications sector. For further information on SUBTEL's role and activities, please access [www.subtel.cl](http://www.subtel.cl), where you will also find responses to frequently asked questions.

There are ten operators of basic telephony, four operators of rural telephony, five mobile operators (cellular and PCS) and 22 long-distance carriers. Competition is fierce among telecommunications companies, resulting in great benefits for end-users.

Since privatization, lines in service have grown from 800,000 in 1990 to 3.1 million in 1999. Mobile service was initiated in 1990, and by the end of 1999 more than 2 million mobile phones were in service. National long-distance traffic has increased from 500 million minutes in 1990 to almost 3 billion minutes in 1999. Outbound international traffic grew from 50 million minutes in 1990 to almost 250 million minutes in 1999.

While telecommunications companies continue to expand traditional services, they also are interested in the implementation of new technologies. SUBTEL plans to make available three new technologies for exploitation by private-sector operators. Fixed wireless telephony will allow operators to provide service in urban and rural areas with less investment, larger bandwidth and more rapid installation. Local multi-point distribution service norms are currently being studied by SUBTEL, and licenses should be awarded in 2001. Third-generation technology is pending to replace analog and digital mobile telephony.

Demand for Internet services in Chile has grown rapidly in the past year due to lower tariff rates. Internet users are estimated at 1.2 million, which represents seven to eight percent of the population. Estimates are that by the end of 2000, Internet users will reach two million, which would represent 15 percent of the total population. SUBTEL has established an alliance with the private sector to further develop the internet infrastructure in Chile. The goal is for Chile to be the preferred country for Internet investments in Latin America. For further information on telecommunications related to Internet and e-commerce, please access [www.infraestructura.gov.cl](http://www.infraestructura.gov.cl)

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	860	787	820
B. Local production	55	62	70



C. Total exports	5	11	15
D. Total imports	805	725	750
E. Imports from the U.S.	307	332	350

#### 4. Franchising

The recent economic recession that affected Chile as a result of the Asian crisis constrained the development of new businesses, including franchises. However, industry specialists agreed that the market is ready for new franchises to compete with the sometimes non-existent or often inadequate services provided by small shops and businesses. Approximately 80 franchise businesses now operate in Chile, with around 300 outlets. This industry sector provides direct employment for 13,500 employees and accounts for sales reaching \$300 million.

Most franchises now in Chile focus on the fast-food sector, including McDonald's, Au Bon Pain, Domino's Pizza, Pizza Hut, Taco Bell, Kentucky Fried Chicken and Burger King. A few service-oriented franchises have opened, including Mailboxes Etc., AlphaGraphics and Powerhouse Gym. There is a substantially unexplored market for franchising in full-service restaurants, nightclubs, amusement parks, automotive services, cosmetics, repair and rental services, cleaning (home and industrial), clothes, fitness centers, real estate business, hotels/motels, supermarkets and others.

Business opportunities include electronic trade and information technology, including training and other sub-sectors such as co-branding and multiple-concept centers. Education and training are other areas in which franchise can grow. For example, only a few training franchises and no pre-school chains now operate in Chile. Many local companies have franchised their successful businesses and even exported their concepts, accounting for 20% of the local franchise market. The franchising industry is projected to grow by 10% during the present year. Franchise companies operating in Chile currently are subject to regular trade laws.

#### 5. Medical Equipment

Chile currently spends seven percent of its GDP on health care. The government has doubled its health budget since 1990 and is budgeted to spend \$541 million this year, making it one of the largest government expenditure areas.

The Chilean government guarantees health-care coverage as a constitutional right and is committed to improving the national public-health system that provides health care for approximately 70 percent of the Chilean population of nearly 15 million. Although the market is not large, it is dynamic and healthy. Several programs for large-scale purchases of modern

equipment have received government approval as part of an effort to upgrade the public and private health sectors.

Chile's "Health in Action Program 90-2000," with an investment budget of over \$1 billion, has provided new and re-constructed hospitals plus several modernization projects and the addition of new services. A large number of private hospitals and some public-sector hospitals are expanding their present facilities or planning the construction of new ones.

The U.S. has been for years Chile's most important supplier of medical equipment. The main competitors are Japan and Germany.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total Market Size	210	231	250
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	N/A	N/A	N/A
D. Total Imports	210	231	250
E. Imports from the U.S.	105	116	130

## 6. Travel and Tourism Services

The main overseas destination for Chilean travelers is the United States, with 21 percent of the market. The U.S. attracts Chilean travelers because of its excellent tourism infrastructure, entertainment, and shopping and recreational activities, including beaches and shopping malls.

Chilean travelers to the U.S. in 1999 totaled 339,956, which represented an increase 16.5 percent over 1998. The main entry point within the U.S. was Miami with 49-percent market share; many Chileans use Miami as a gateway for the Caribbean. Other main U.S. entry points are New York with 22 percent market share, followed by Los Angeles with 12 percent and Dallas with 11 percent.

The major travel and vacation season for Chileans are the summer months of January and February. Approximately 30 percent of total Chilean travel is done during these two months. The second and third travel seasons are the months of July and September, which include winter and spring school breaks.

Major tourist destination competitors for the U.S. in 1999 were Argentina with 31.6 % market share (in part because it is close and reachable by automobile) and Europe with 12.6 % market share. European destinations aggressively promote lower-cost packages. Mexico and the Caribbean, which compete mainly with Miami, have eight percent of the market, mainly due to

convenient "all-inclusive" packages that have great appeal to Chilean families.

Chilean travelers fall into three categories based on the purpose of their trip: business and education, vacation and tourism, and visits to relatives and friends. The average business traveler is a male corporate manager or an independent businessman who prefers business class and well-located hotels. In general, his office makes the hotel and other reservations. Main destinations are New York, Los Angeles, Miami and Chicago. A growing segment is the Chilean student between 15 to 24 years of age who visits the U.S. during the Chilean vacation to learn English.

Chilean vacation travelers include entire families as well as couples, honeymooners and single travelers. The most popular vacation destinations are Miami, Orlando, New York and San Francisco. Vacation travel is primarily associated with beach activities, good food, shopping and pleasure resorts. Travel is usually coordinated through a travel agent.

Chilean travelers visiting friends and relatives usually stay as a guest in homes; they use the services of a travel agent for purchasing the airline ticket and to obtain general information prior to departure. The leisure activities most popular with Chilean visitors are shopping, beach activities, sightseeing in cities, amusement parks and attractions, and visits to art galleries and museums.

U.S. travel and tourism firms interested in increasing their business in Chile should appoint a representative, offer low-cost tour packages, advertise in special media supplements, and organize familiarization tours for travel agents, wholesale operators and the media. Participation in DESTINO USA SHOW, organized by the Visit USA Committee Chile and sponsored by the U.S. Commercial Service, provides excellent exposure for U.S. companies.

DATA TABLE (thousands of travelers)	1998	1999	2000 (Jan-March)
A. Total market size (outbound travelers)	1,514	1,616	500
B. Total U.S. imports (travelers)	292	340	118*

\* The number of outbound Chilean travelers destined for the U.S. can be used as the basis to estimate market size in dollars. The average stay (number of days) and average spending per day (dollars) yield an approximate expenditure of \$1,000 per visitor per visit, for an approximate total market of \$118 million.

## 7. Food Processing and Packaging Equipment

Economic change in Chile (starting in the late 1980's) pushed the food processing and packaging industry to develop rapidly. Food processing and packaging companies had to become

competitive to survive and invested large sums for technological updating and productivity enhancement. The market expanded significantly, and Chile became a major player in the international market for agroindustrial products, as well as an important recipient of foreign investment in the sector.

Even though the current reactivation of the country's economy has been slower than expected, exports of canned fruits and vegetables, dehydrated fruits and vegetables, frozen foods and fruit juices grew by 16 percent during 1999. The commercial fishing sub-sector has been severely affected by climate changes and overexploitation, largely reducing the country's production. The industry has become more concentrated, and many processing plants have closed down in recent years. However, during the last 10 years, aquaculture has developed significantly, positioning Chile as the world's largest exporter of trout and the second largest of salmon. Exports of salmon and trout totaled \$820 million during 1999 and are projected to reach over \$1 billion during the present year.

The food industry should continue growing at a fast pace, mostly oriented to exports to Mercosur countries, North America, Europe and Asia. The food-packaging and food-processing industries are extremely competitive and very concentrated. Companies have been merging or absorbing each other, leaving a smaller number of companies competing fiercely. New food regulations call for new technology, and quality control will be emphasized in production plants. The growing presence of women in the work force and Chile's fast urban pace and lifestyle promote growth in food services, prepared food and frozen goods. Free-trade agreements between Chile and many Western Hemisphere countries should expand markets for food exports. Food-processing and packaging machinery is needed to improve production speed and efficiency.

The U.S. is an important supplier of machinery for this industry, but Italy, Germany and other European countries are aggressive competitors.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	155	152	159
B. Total local production	N/A	N/A	N/A
C. Total exports	6	8	8
D. Total imports	161	160	168
E. Imports from the U.S.	93	91	95

## 8. Plastics Production Machinery and Resins

As the Chilean economy resumes its growth path, demand for industrial equipment and supplies should grow accordingly, particularly, from those sectors experiencing industrial modernization

and increasingly sophisticated consumers. Leaders of the plastics sector expect substantial growth (over 15 percent) in coming years, derived from new investments coming on stream in 2000 and the addition of newer and more productive technologies. Recent partnerships timidly being established by U.S. and other foreign investors with Chilean entrepreneurs should drive continued growth.

During 1999, the plastics industry expanded slightly in spite of the contraction of the Chilean economy as a whole, thus showing the strength of this sector. The Chilean market is small by U.S. standards, but average per capita consumption of plastics has grown to 69 pounds per year in 1999 and is projected to reach 99 pounds per year by the year 2005. However, it is still far from the 132 pounds per year per capita consumption in developed markets.

In 1999, U.S. imports accounted for 25 percent of all plastics-industry-related. The first quarter of 2000 shows a departure from historical trends in the importation of plastics processing machinery, with the U.S. accounting for 30 percent of imports as compared with previous years that were largely dominated by Italian and German suppliers. Resins remain the largest group of products imported from the U.S. by the Chilean plastics industry.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	485	490	510
B. Total local production	185	190	220
C. Total exports	65	65	80
D. Total imports	303	293	380
E. Imports from the U.S.	86	72	76

## 9. Air Conditioning & Refrigeration

The Chilean market for air conditioning and refrigeration (ACR) is composed almost entirely of imports. Seventy-five percent of imported products come from USA, Italy, Brazil, Argentina and Germany. Imports from the U.S. account for 29.7% of the total. The market for household air conditioning is small; the main market is for industrial and commercial use. Local manufacturing of air conditioning or refrigeration equipment is minimal. Domestic production is mostly limited to showcases for display in supermarkets and some parts (e.g., fans).

Goods are sold via local representatives or distributors and, lately, directly by manufacturers; such is the case for York and Carrier. Local vendors offer what are known as industrial refrigeration projects that provide an integral solution for each client. The primary industrial clients are fishing, fresh fruit, meat and dairy products processing, chemicals, laboratories, hotels, supermarkets, restaurants and automobiles.

Opportunities exist in most of the industrial sectors. One particular example is the salmon industry, in which ACR is heavily used in processing and transport. Chile is ranked number two after Norway in the world in this sector. The supermarket industry is also promising; several supermarket chains are implementing expansion plans this year. The burgeoning fresh-fruit export industry could provide additional opportunities. Refrigeration for small trucks and light pick-ups is an attractive niche to supply growing distribution networks for perishable goods.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	123	65	67
B. Total local production	5	5	5
C. Total exports	5	5	5
D. Total imports	123	65	67
E. Imports from the U.S.	42	20	21

## 10. Construction Equipment

The Chilean construction sector was one of the worst performers during 1999 as a result of the regional recession. Construction went from being the fastest-growing sector for over seven years (close to ten percent per annum) to being the laggard in 1999. Construction spending is expected to resume the fast growth experienced in previous years towards the end of 2000. This forecast is mainly based upon the sharp reduction of the stock of new houses. Of the sub-sectors with growth potential, government-funded housing projects (20,000 new HUD-type housing units for year 2000) and the reinvigorated public works concession program (\$1.6 billion for year 2000 and a total of \$8.5 billion through the year 2006) will continue to fuel the industry expansion. Private investors have announced new large investments in high-rise office buildings; projects in different development stages are worth close to \$1.5 billion. New urbanization developments promise private investment of as much as \$500 million over a 10-year horizon.

Chile does not manufacture many types of construction equipment (in particular heavy machinery); therefore most such equipment is imported. Even where domestic producers exist, imported construction machinery and supplies are preferred for their quality and technology. U.S.-made products, with a 60-percent market share, are highly preferred by Chilean users.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	575	334	391
B. Total local production	250	240	260
C. Total exports	28	30	32

D. Total imports	353	124	163
E. Imports from the U.S.	148	52	60

## 11. Mining Equipment and Supplies

Mining is the most important economic sector in Chile, comprising eight percent of GDP and 48 percent of exports. Mining is expected to grow five percent annually through 2005. The mining sector, with annual production exceeding \$8 billion (mostly exported), will continue to lead Chilean industry because of foreign and domestic investment in projected new mines and/or modernization and expansion of existing ones. The parastatal CODELCO is the world's second-largest producer of copper, but private mines (including those with international ownership) produce two-thirds of all Chilean copper.

Public and private investment in mining production will exceed \$4 billion through 2005. A total investment of \$1.4 billion, including private and state investment, is projected for the year 2000. These figures may be underestimated, since they include only mining projects already identified and under construction. Low world mineral commodity prices have affected investment in recent years, slowing development and postponing, maybe indefinitely, marginal projects.

It is difficult to de-aggregate statistics for mining machinery and equipment, as some of these types of equipment are also used by other industries. Nevertheless, Chilean customs data show imports of \$95 million in machinery for mining in 1999, a 55-percent reduction as compared to 1998 imports. This sharp fall is due to the completion of large mining projects and the deferral of new projects due to the lowest inflation-adjusted copper prices in half a century. Nevertheless, recent announcements indicate that mining projects may resume their normal rhythm, suggesting that imports of mining equipment may return to growth levels of 5-10 percent yearly. The portfolio of new projects and expansion of existing projects can be expected to regain momentum and to increase the annual demand for mining equipment to approximately \$2.3 billion after the year 2000.

U.S.-made mining equipment enjoys great receptivity by the sector. Much of the equipment installed in new and expansion projects may be from the U.S. because of quality, after-sale service and compliance with delivery dates. Brazilian, Canadian, Japanese and German manufacturers have become aggressive competitors in Chile.

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	514	320	310
B. Total local production	320	250	240
C. Total exports	18	25	20

D. Total imports	212	95	90
E. Imports from the U.S.	109	59	36

## 12. Security Equipment

The security industry declined dramatically in Chile due to the 1999 recession. Chile's safety and security sector is expected to grow four percent during the year 2000. One important opportunity for U.S. suppliers in this sector arises from Chilean plans to contract with the private sector for the construction of approximately 10 new prisons to solve the current problem of over-population of inmates. Other security equipment that continues to be in demand includes access control, burglar and fire alarms and detectors, CCTV, outdoor photoelectric beam detectors for perimeter protection and fire-fighting equipment. Street crime and delinquency continue to be an issue in Chile, therefore personal security products are also in demand.

During 1999, the imports for this industry came mainly from the U.S. (41 percent), followed by France (10 percent) and China (8.9 percent).

DATA TABLE (millions of dollars)	1998	1999	2000
A. Total market size	48	37	38
B. Total local production	10	8	8
C. Total exports	1	1	1
D. Total imports	39	29	30
E. Imports from the U.S.	17	12	13

The above statistics are unofficial estimates.

## Best Prospects – Services

For the 10 top Service Best Prospect, please check [www.usatrade.gov/chile](http://www.usatrade.gov/chile) and click on services.

## Best Prospects for Agricultural Products

Based on size, market growth rate and the U.S. competitive position in the market, the following individual products have the greatest potential for sale in Chile: corn, wheat, corn gluten feed, pet food, soy protein isolates and concentrates, oak staves for wine barrels, candy, frozen french-fried potatoes, processed cheese and forage seeds.



The broad menu of grains and feed ingredients available for export from the United States throughout the year creates opportunities for sales whenever competition from Argentina and other nearby suppliers weakens. Chile's vineyards continue to expand, creating demand for oak casks for aging wine. Increasing numbers of pet owners are using prepared pet foods, but competition is fierce from suppliers based in Mercosur. Chile's food-processing industry is using soy protein in many prepared foods. Expanding fast-food restaurant chains are demanding high quality french fries and processed cheese for hamburgers. The government's long-term program to improve pastures for livestock offers the potential for sales of forage and grass seeds.

In other areas, U.S. exporters of consumer-oriented products should focus on identifying an import agent and developing niche markets. New opportunities may be found in supplying Chile's institutional food sector. The food manufacturers also offer a market for selected ingredients not locally available.

#### 1999 Agricultural Imports by Chile (millions of dollars)

Total (from world)	1,316
From the U.S.	195
U.S. Share	15%
Chilean Agricultural Surplus with U.S.	872

#### 1999 Principal U.S. Agricultural Exports to Chile (millions of dollars)

Corn	51
Wheat	33
Corn gluten feed	9
Protein isolates/concentrates	6
Pet food	5
Soybeans	3
Beverage prep, artificially sweetened	3
Potato chips	3
Essential oils	2
Mixed feeds	2

#### 1999 Principal U.S. Agricultural Imports from Chile (millions of dollars)

Table Grapes	365
Wine	113
Seed corn	54
Peaches and Nectarines	48
Apple Juice	48

Plums	30
Apples	27
Kiwis	17

### Significant Investment Opportunities

Chile remains open to foreign investment (see Chapter 7), and investment opportunities mirror the best prospects (see sectors described above). For specific investment and concession opportunities offered by the government of Chile, see [www.compraschile.cl](http://www.compraschile.cl). Additional information on specific projects can be obtained through the U.S. Commercial Service in Santiago. For official information on investing in Chile, contact:

Comite de Inversiones Extranjeras (Foreign Investment Committee)  
 Karen Poniachik, Executive Vice President  
 Teatinos 120, P. 9, Santiago, Chile  
 Tel: (56-2) 698-4254; Fax: (56-2) 698-9476  
 Web page: [www.cinver.cl](http://www.cinver.cl) Email: [cinver@tmm.cl](mailto:cinver@tmm.cl)

## CHAPTER 6: TRADE REGULATIONS AND STANDARDS

### Trade Barriers

Chile generally has few barriers to imports or investment. Foreign firms operating in Chile enjoy the same protection and operate under the same conditions as local firms. The Chilean tariff rate is currently nine percent on nearly all products from most countries, although many products from countries with which Chile has trade agreements enter with lower or no duties. No tariffs are levied on computer products and books. Imported automobiles are also subject to luxury tax based on 85 percent of the value above \$15,000. Certain imported luxury goods such as yachts, some types of jewelry, furs and others are also subject to luxury taxes. Duties on capital goods purchased for use in export production may be deferred for a period of seven years and waived under some circumstances. Imports are subject to the same 18-percent Value Added Tax (VAT) as are domestic goods.

One of Chile's most important non-tariff barriers is the requirement that all imported livestock products originate in facilities previously inspected by the Ministry of Agriculture. Import restrictions on fresh fruit are gradually being resolved, with U.S. products now entering Chile. Imports of unprocessed U.S. poultry are still prohibited. Chilean grading and quality standards on beef are unique in the world and effectively prohibit imports from the U.S. Chile only approves the import of food products on a case-by-case basis. There is no blanket approval process for permitting identical products to enter Chile after they have been tested and found in

compliance with local health regulations. To enter a product, the importer must obtain the permission of the Health Service Officer at the port of entry, who will take samples and perform the necessary tests. This process raises the overhead cost of introducing new products into the market.

Chilean law hurts sales of certain other industries. For example, international pharmaceutical companies argue that current law does not provide effective patent protection and the Chilean tax system discriminates against whiskey and most other distilled beverages.

### Customs Valuation

Chilean customs valuation uses the normal value of merchandise, without special discounts, plus freight and insurance (CIF). Used goods are valued by the customs service according to the current new value of similar merchandise, discounting ten percent per year of use, up to a 70-percent discount.

### Import Licenses

All imports require a license, but, according to legislation governing the Central Bank since 1990, import licenses are granted as a routine procedure for nearly all goods. Licensing requirements are maintained largely as a statistical gathering mechanism, not as a control. The general licensing requirements will disappear in an upcoming modernization of Chile's customs procedures. However, more rigorous licensing procedures apply for pharmaceuticals and weapons.

### Import/Export Documentation

Chile's Central Bank requires importers to obtain a registration certificate for goods valued over \$3,000. Exporters must fill out a registration certificate when exporting goods valued over \$2,000 FOB. This is to help the government gather trade data. Other commercial forms used by both local importers and exporters are commercial invoices, certificates of origin, bills of lading, freight insurance and packing lists.

### Temporary Entry

Temporary imports of goods are authorized for government-approved exhibitions and for temporary demonstrations. For Chilean government-approved exhibitions, no duty or VAT is levied. Goods may remain in the country up to six months, but must be kept in a warehouse. Goods imported for temporary demonstration purposes require the resident end-user or potential purchaser to obtain a temporary admission certificate from Chilean customs and are taxed based upon the number of days they are in the country.

### Labeling, Marking Requirements

Imported products customarily consumed by the public must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold.

### Prohibited Imports

The importation of used passenger and cargo transportation vehicles is prohibited. Exceptions to this import restriction include used ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, and cement-making vehicles. Importers of these goods pay a nine-percent import duty plus the VAT. Fire-fighting vehicles are not subject to import duty, and VAT is paid on their CIF value only.

### Standards

The National Standards Institute (Instituto Nacional de Normalizacion, or INN) has included the ISO 9000 standards as part of Chilean standards and is in charge of their promotion among local manufacturers. The chemical industry is one of the few industries that has incorporated the ISO 9000 standards to its industrial processing lines.

In general, standards are not mandatory, but companies can voluntarily comply with them, especially in industries where such compliance constitutes a sort of “seal of approval.” However, certain imported products, such as those pertaining to industrial safety, building and construction materials, and the gas and electricity industries, must comply with specific resolutions applying to the supervising entity.

### Free-Trade Zones/Warehouses

Chile's two free-trade zones are the Free Zone of Iquique (ZOFRI) in the northern tip (Region I) of Chile and the Free Zone of Punta Arenas in the southern tip (Region XII). ZOFRI encompasses the free ports of Arica and Iquique. ZOFRI is a major entry point for products bound for Bolivia and to a lesser extent for products going to Peru, Paraguay and northern

Argentina. Punta Arenas also has a free port. Modern facilities for packaging, manufacturing and exporting exist in each zone.

Duties and VAT requirements are as follows:

- a) imports entering and remaining in Chile's free-trade zones pay no duty or VAT;
- b) imports leaving the free trade zones but remaining in regions I or XII (considered "extended" duty-free zones) pay a six-percent import duty but no VAT;
- c) imports leaving the free-trade zones to enter the greater Chilean market pay full tariff and VAT charges;
- d) subject to negotiations with Chilean customs officials, imports can remain in-bond for extended periods while awaiting transshipment to other countries.

Imported goods may remain in customs warehouses for 90 days. If said goods are unclaimed after the 90-day period, the goods will be declared abandoned by Customs and sold at public auction.

### Special Import Provisions

**Animal Health and Phytosanitary Requirements:** Chile occasionally uses animal health and phytosanitary requirements that impede imports. The application of certain phytosanitary requirements for poultry is a non-tariff barrier seemingly meant to discourage imports. Chilean authorities have in some instances eliminated or liberalized specific requirements when presented scientific evidence by U.S. animal health or phytosanitary officials. All food products entering Chile are subject to sampling and analysis by health authorities.

Firearms can be imported, but they require a special permit from a military authority in Chile.

The import of pharmaceutical specialties, cosmetics and most biological and bio-chemical preparations requires prior registration with the Institute of Public Health (Instituto de Salud Publica) and may be subject to special labeling and other requirements, depending on the nature of the individual product.

Imported goods that are considered inconsistent with Chilean "morals, public health, national security, or environment" require special authorization to enter into Chile. These include certain chemicals/processes and some media products that face review and possible censorship. All films, videos and TV programs, imported or locally produced, currently are reviewed for suitability.

### Membership in Free-Trade Arrangements

Chile has free-trade agreements with Canada, Mexico, Colombia, Venezuela, Ecuador and Costa Rica that provide for duty-free trade in most products. Chile is an associate member of Mercosur (Argentina, Brazil, Paraguay and Uruguay) and has a trade liberalization agreement with Bolivia. Negotiations are underway with Peru, South Korea and, in a longer-term process, the European Union.

## CHAPTER 7. INVESTMENT CLIMATE

### Openness to Foreign Investment

A key feature of the government of Chile's development strategy is a welcoming attitude towards foreign investors, embodied in the country's foreign investment law, known as D.L. (Decree Law) 600. D.L. 600 was promulgated in 1974 and has frequently been liberalized. Since 1991, nearly all foreign direct investment in Chile has taken place through D.L. 600. Under this law, the government's foreign investment committee must approve foreign investment, but approval procedures are expeditious and not burdensome. Typically, applications are approved within a matter of days and almost always within one month. Investors choosing not to use D.L. 600 may invest via the provisions of Chapter XIV of the Central Bank's Foreign Exchange Regulations.

Under D.L. 600, investors sign standardized contracts giving them the right:

- to receive non-discriminatory treatment;
- to participate in any form of investment;
- to hold assets indefinitely;
- to remit or reinvest earnings immediately [and remit capital after one year];
- to opt for either national tax treatment or a guaranteed rate (currently set at 42 percent) for the first ten years of an investment; and
- to acquire foreign currency at the inter-bank rate of exchange.

Investments over \$50 million may qualify for tax concessions. This welcoming attitude to foreign investment, along with the country's wealth of natural resources, has led to about \$25 billion of new foreign investment in the five years ending in 1999. Foreign direct investment has totaled more than \$40.7 billion since 1974, and the flow in 1999 surpassed \$9 billion. Foreign investors have purchased many of the assets privatized by the Chilean government over the last decade.

One of the first major economic policy moves of the recently inaugurated (March 2000) Lagos administration was to eliminate the one-year residency requirement for foreign capital entering Chile under Chapter XIV of the Central Bank's Foreign Exchange Regulations (generally, these provisions are used for portfolio investments). As of May 2000, this type of investment capital --

like profits -- may be repatriated immediately, adding to Chile's open investment climate.

Beginning in 1991, the Central Bank required that a variable percentage of loan funds and portfolio investment from foreign sources, including proceeds from "secondary" American Depositary Receipts (ADR) issues, be placed in a non-interest bearing account (known as the "encaje") at the Central Bank for up to two years. (Alternatively, investors could pay an amount equal to the interest that would be foregone.) This requirement discouraged the use of financing sourced abroad by raising its cost. (Supplier credits are exempt from the "encaje" requirement.)

In response to pressure on the current account as a result of the successive Asian, Russian and Brazilian financial crises from late 1997 to early 1999, the Central Bank reduced the "encaje" rate from 30 to 10 percent in June 1998, and then to zero two months later, where it remains. Foreign investors may choose to have their profits taxed at a guaranteed 42 percent rate for the first ten years of their investment or at whatever rate applies to local firms, currently 35 percent on fully distributed earnings.

The major sectoral exception to the government's openness to investment is the fisheries sector. According to 1991 amendments to the navigation law (D.L. 222), vessels fishing in Chile's 200-mile Exclusive Economic Zone (EEZ) must have majority Chilean ownership (exceptions are made for some distant waters). The law permits bilateral agreements to allow foreign-owned vessels to fish in Chile's EEZ, but no such agreements have been concluded. National treatment is also not granted for cabotage (reciprocity is applied instead). Top management (but not ownership) of radio and television broadcasting firms is reserved for Chilean nationals. Banks may establish either branches or subsidiaries, and other financial firms must establish subsidiaries.

#### Conversion and Transfer Policies

Foreign investors may use the inter-bank foreign exchange market to repatriate capital and earnings. Importers and others with recognized need also receive access to the inter-bank rate. Others must use the parallel exchange market. Over the last few years, the exchange rates in these two markets typically have differed by less than one-half of one percent. Investors are guaranteed access to foreign exchange in the official inter-bank currency market. Delays in repatriation are brief.

#### Expropriation and Compensation

Chilean law grants the government broad authority to expropriate property, including property of foreign investors. The 1973-1990 military regime and the democratic administrations that have followed have not nationalized any private firms, and nothing suggests that any expropriation is likely to occur in the foreseeable future.

### Dispute Settlement

Except for U.S. investment covered by Overseas Private Investment Corporation insurance, disputes involving U.S. investors typically are settled in negotiations between the investor and the concerned government agency. Any dispute not resolved in this way is referred to local courts for adjudication. Recourse to the courts is sometimes not an attractive alternative for foreign investors, because civil suits often take years to resolve. Litigants thus often choose to settle out of court.

Chile's bilateral investment protection agreements with several countries allow for binding international arbitration between the government and investors. Different agreements contain varying procedures -- some allow the investor to choose either the host country's legal system or international arbitration but not both, while others specify that disputes must pass through the host country's legal system before recourse to international arbitration. Chile joined the international center for the settlement of investment disputes in 1991. The U.S and Chile do not have a bilateral investment treaty.

The Chilean-American Chamber of Commerce (Amcham) has established an arbitration panel consisting of local experts and businessmen to hear international contractual disputes. Formed in cooperation with the American Arbitration Association, the panel is meant to provide an alternative to judicial court procedures, and companies electing to utilize the panel agree to abide by its decision.

The judicial system of Chile is well defined and independent of government involvement. The likelihood of government involvement in dispute adjudication is very unlikely, but possible. Judgements made by foreign courts are valid in Chile upon the approval of the Chilean Supreme Court.

The Chilean bankruptcy law is consistently applied, and public notice is required. However, it is important to note that in Chile, a creditor can seek a judgment of bankruptcy on a debtor solely on grounds of failure to make a single loan payment. The judgment does not have to be based on financial insolvency. Once a judgment of bankruptcy has been made, a receiver ("Sindico") is named to distribute the debtor's assets to the creditors.

### Performance Requirements/Incentives

The last remaining performance requirement, pertaining to automobile assembly operation, expired in 1998. The Foreign Investment Committee does not apply any performance requirements in its review of projects.

Chile does not subsidize or offer incentives specifically to attract foreign investment, although



corporate tax exemptions are available to both foreign and Chilean firms investing in the extreme northern or southern areas of the country.

### Right to Private Ownership and Establishment

Chile conducts pro-forma screening of foreign direct investment. Except for the fishing sector and others noted above, Chile does not restrict the right of establishment.

### Protection of Property Rights

Chile has a very strong regime for the protection of property rights, including secured interests in property. A functioning legal system safeguards investments by Chileans and foreigners alike. Chile's intellectual property regime is generally compatible with international norms, but its protection of patents remains deficient. Efforts to enforce intellectual property rights in Chilean courts have been successful. Chile does not have a sui generis statute for protecting the design of semiconductors, nor does it have comprehensive trade secret protection. Chile belongs to the World Intellectual Property Organization.

The industrial property law promulgated in 1991 substantially improved Chile's protection of industrial patents, but falls short of international standards. The law provides a patent term of 15 years from the date of grant. Legislation to bring Chilean intellectual property protection into compliance with the WTO agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS) is likely to pass in 2000.

The current law does not consider plant and animal varieties as patentable subject matter. It also does not provide transition (or "pipeline") protection for pharmaceutical patents filed before the law's promulgation. Because of the long lead times involved in the marketing of new pharmaceutical products, the law will not prevent local companies from pirating foreign pharmaceutical patents for several more years. In addition, the registration procedures required by the Ministry of Health to market new drugs are more onerous for the first to file, which tend to be foreign firms. Finally, the Central Bank reserves the right to disallow access to the inter-bank foreign exchange market for payments for the use of patents that exceed five percent of sales. These shortcomings have kept Chile since 1989 on the U.S. Trade Representative's "Special 301" watch list of countries with deficient intellectual property rights protection regimes.

Chile's copyright law grants recording companies the right to authorize the use of a work for 50 years. U.S. recording industry representatives have said that the law grants more power to authors relative to producers than is the industry norm.

Chilean law provides for the protection of registered trademarks and places priority on trademark rights according to filing dates. Currently, local use of the mark is not required for registration.

Payments for use of trademarks may not exceed one percent of sales.

Trademark protection is less than airtight. Many parties can and do register well-known trademarks owned by U.S. companies. When challenged, Chilean courts usually vacate such trademark registrations. Foreign claimants often opt to buy back trademarks in order to avoid lengthy litigation.

### Transparency of the Regulatory System

Chilean regulatory systems tend to be very transparent. Government regulators have little discretion in many of their acts and very simple regulation schemes tend to minimize discretion where it does exist. However, rulemaking processes are not transparent and do not generally include provision for public hearing or comment.

### Efficient Capital Markets and Portfolio Investment

Chile's capital markets are well developed (approximately \$50 billion), very active and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners. Publicly traded Chilean companies, despite recent volatility amid shaky world financial markets, continue to attract substantial international investment, aided by an effective regulatory system. Along with the elimination of the one-year capital residency requirement, the Central Bank authorized the issuance of peso-dominated bonds overseas. In addition, the Chilean congress is likely to approve pending legislation on public stock tenders.

The Chilean banking system is very sound, with a majority number of foreign affiliated banks. The total assets of the largest banks in Chile, according to the Superintendence of Banks, are as follows: Banco Santiago, \$9.8 billion; Banco del Estado de Chile, \$9.5 billion; Banco Santander – Chile, \$8.8 billion; and Banco de Chile, \$8.1 billion.

### Political Violence

In the years since the 1990 return to democracy, major incidents of politically motivated attacks on projects or installations have dropped sharply; since 1994, there have been few incidents. Anti-American sentiment, civil disorder and terrorism have become rare. There have been no incidents representing international terrorist groups.

### Corruption

Corruption in Chile has always been limited. Corruption exists, but only on a small scale. Chile is a signatory to the OECD Convention on combating bribery although it has not yet been ratified by the Chilean congress. Chile has signed and ratified the OAS Convention against corruption.

There is a chapter of Transparency International in Chile; Chile ranked 19th on Transparency International's corruption index in 1999 (the U.S. ranked 18th). Chilean law has not yet been modified to make bribing a foreign official a criminal act. Bribes are not tax deductible in Chile. A wide range of subornation is punishable as a crime under the penal code; the penalties applied are relative to the crime. All forms of bribery are the responsibility of the Controller General of the Republic.

### Bilateral Investment Agreements

Chilean officials have signed bilateral investment protection agreements with 45 countries, including Argentina, Spain, Germany, Switzerland, France, Belgium/Luxembourg, Malaysia, Brazil, Cuba and Venezuela. Twenty-two of these agreements await ratification by the Chilean congress.

Chilean and U.S. officials held a third round of negotiation for a bilateral tax treaty in June 2000. Until negotiations are completed, U.S. and Chilean investors can be taxed in both countries, although in practice the IRS usually grants credits for taxes paid in Chile.

### OPIC and other Investment Insurance Programs

A bilateral investment agreement with the Overseas Private Investment Corporation took effect in 1984. In 1987, the U.S. suspended OPIC operations in Chile because of Chile's failure to recognize internationally accepted standards of worker rights. In October 1990, the U.S. resumed OPIC coverage in Chile after the democratically elected government reformed Chile's labor code. Chile signed the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA) in 1986. MIGA's first project involved Chile, and it has remained active here.

### Labor

Chile has enjoyed generally calm labor relations since the return to democracy in 1990. Strikes have been few in the private sector, but public employees in health, education and coal mining have held strikes in the last few years. The privatization of Chilean ports created labor disputes. An agreement between workers and the GOC was reached in late 1999, but periodic strikes are expected to continue. Union membership is voluntary, and only 13 percent of the workforce is unionized. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations. There is no sectoral bargaining; contracts are negotiated at the company level. The government is currently holding tripartite talks that it hopes will lead to an updating of the labor code. The minimum wage was increased to 100,500 pesos a month in early 2000, about \$196 at the then-current exchange rate.

### Foreign Trade Zones/Free Ports

Foreign-owned firms have the same investment opportunities in the free-trade zones as Chilean firms. For a detailed description of Free-Trade Zones in Chile and tax exemption, see Chapter 6.

### Foreign Direct Investment

In 1999, the flow to Chile of Spanish-sourced investment, the largest of any single country, totaled close to \$4.6 billion. The United States, normally Chile's leading investor, came in second with \$1.9 billion and France was third with roughly \$608 million. The major foreign investors in Chile (in order of importance) are the United States, Spain, Canada, the United Kingdom, South Africa, Australia and Japan. New investment in agriculture and livestock, construction, energy, fishing and aquaculture, forestry and transport and communications totaled \$5.2 billion in 1999, while new mining investment was \$1.2 billion. (See statistical annexes.)

The total stock of foreign direct investment (FDI) in Chile in 1999 was \$41 billion, and total 1999 inflows were \$9.1 billion. The total stock of FDI is 52 percent of 1999 nominal GDP, and 1999 FDI inflows equal 11.5 percent of 1999 nominal GDP.

### Chilean Foreign Investment

Regulations governing foreign investment by Chilean individuals and non-financial corporations are limited. Chilean investment abroad, principally in Mercosur and in neighboring countries, has increased dramatically in the last few years. According to Central Bank statistics, Chile's net foreign investment abroad (formal and informal) increased from \$3.8 billion in 1998 to \$6.4 billion in 1999, and total flows for the five years through 1999 totaled close to \$14 billion. Regulations governing investment abroad by financial firms are fairly extensive, but the Central Bank is gradually erasing some of these restrictions. Insurance companies, pension funds and banks may invest an increasing portion of their assets abroad in a narrow range of low-risk instruments. The government does not provide any incentives for investment in developing countries.

### Statistical Annexes

#### Foreign Direct Investment in Chile – by country (millions of dollars)

Country	1997	1998/1	1999/1	1974-99/2
United States	935	1,358	1,909	12,810,977
Spain	1,498	897	4,583	8,254,121
Canada	811	899	450	5,607,517

United Kingdom	201	412	311	2,046,879
South Africa	476	330	40	1,381,395
Japan	164	323	224	1,375,210
Australia	181	385	6	1,265,662
Netherlands	363	169	181	1,137,356
France	63	150	608	1,116,650
Finland	13	84	3	518,243
Argentina	60	97	47	511,359
Switzerland	45	104	44	491,619
Italy	19	6	51	453,745

1. Preliminary estimate. 2. Total invested over the period. Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Foreign Investment Committee, Ministry of Economy

#### Foreign Direct Investment in Chile – by sector (millions of dollars)

Sector	1997	1998/1	1999/1	1974-99/2
Agriculture	14	12	21	261
Construction	114	280	215	939
Electricity, Gas, Water	1,395	495	4,560	6,949
Industry	593	530	780	5,550
Mining	1,706	2,393	1,221	14,875
Fisheries, Aquaculture	12	9	1	172
Services	1,197	2,005	1,910	9,757
Forestry	29	37	19	238
Transportation & Comm.	171	211	360	2,107

1. Preliminary estimate. 2. Total invested over the period. Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Foreign Investment Committee, Ministry of Economy

#### Largest Foreign Direct Investment Projects in Chile (millions of dollars invested)

Project	Investor	Source Country	Sum
Disputada	Exxon Min.	U.S.	1,731
El Abra	Cyprus Min.	U.S.	1,286
Emos	Suez Lyonnaise Des Eaux/Agbar	France/Spain	1,100
Methanex	Noranda Met.	Canada	1,057
Escondida	BHP/RTZ/JECO/IFC	Aust./U.K./Japan/Int.	1,025
Zaldivar	Zaldivar/Otokumpu	Canada/Finland	751
First Boston	First Boston	U.S.	700
Candelaria	Phelps Dodge/Sumitomo	U.S./Japan	587
Collahuasi	Falconbridge/ Amcoli/Japan	Canada/U.K./Japan	425
Quebrada Bl.	Cominco/Tech	Canada	369

## CHAPTER 8: TRADE AND PROJECT FINANCING

### Brief Description of Banking System

The banking system offers many of the asset and liability products available in international financial centers. Foreign trade financing and money exchange operations are particularly active and efficient compared to the rest of Latin America.

Authorities have not allowed new banks to enter the market since the early 1980's financial crisis except via purchasing existing banks. This restriction applies to domestic as well as foreign banks. Vigorous economic growth in recent years has strengthened bank profits, but restrictions remain on banks' ability to enter some rapidly growing areas of business, especially pension fund management. A new banking law promulgated in late 1997 has relaxed some of the restrictions by allowing banks to provide factoring and leasing services. The new law theoretically provides objective criteria by which to judge applications for new banking licenses, but the Government reserves the right to limit such licenses based on economic needs in the marketplace.

The sector is regulated by the Superintendent of Banks and Financial Institutions, an agency that reports to the Finance Minister. The Central Bank, which is autonomous from the government in conducting monetary policy and regulating international capital movements, also regulates bank operations.

Private banks handle nearly all corporate business. The only Chilean banks with a direct presence in the U.S. as of June 1999 are the Banco de Chile, which has branch offices in New York and Miami, and Banco Santiago, which has a representative office in New York. The

banking sector has entered a period of consolidation as banks combine to achieve economies of scale necessary to compete internationally.

U.S. banks operating in Chile (see list at the end of this chapter) concentrate mostly on corporate lending to small and medium-sized business, although Citibank and BankBoston are active in retail banking. Corporate lending is focused on medium-sized businesses, because restrictions on the percentage of a bank's assets that can be lent to a single customer lead firms wanting large loans to resort to international sources of finance.

#### Foreign Exchange Controls Affecting Trading

Money exchange operations are particularly active and efficient by Latin American standards. As a general rule, currency may be freely traded in two markets, the informal and the formal or inter-bank market. The Central Bank is empowered to require that certain transactions be executed only through the formal market, such as those related to the import or export of goods and services, foreign loans, capital flows and profit remittances. It may also determine that certain operations be subject to prior approval as is the case of foreign loans and investments, repatriation, as well as hedging and other futures market operations.

In September 1999, Chile's independent Central Bank fully floated the peso, dropping an exchange-rate band system that kept the peso/dollar to rate within pre-set parameters.

#### General Financing Availability

Companies utilize a variety of financing sources, including retained earnings due to strong profitability, stock, direct investment, bank debt, bonds and, since 1993, issuance of ADRs on U.S. stock exchanges. Eurobonds are also utilized. The larger corporations have evolved from the use of bank debt to public sources of funds such as stock and bonds issued locally and also to international capital markets.

Chile has consistently received investment grade ratings by companies such as Moody's and Standard & Poor's since the mid-1990s. Despite the successive financial crises from late 1997 to early 1999, the ratings have been reaffirmed by these companies. Some 30 Chilean ADRs are traded on the NYSE.

#### How to Finance Exports / Methods of Payment

Payment to suppliers is often made via an irrevocable letter of credit from a Chilean commercial bank to the supplier. This is fast and simple, with no lengthy delays in the remittance of foreign exchange. Payments are made upon receipt of notice of shipment of goods. Other methods of

payment to suppliers include cash against documents and open account. Suppliers dealing in open account usually have developed a long-standing relationship with the buyer.

#### Types of Available Export Financing and Insurance

The U.S. Export-Import Bank and the Overseas Private Investment Corporation provide credit and insurance programs for U.S. exporters and investors in Chile. The Inter-American Development Bank and the World Bank's loan programs are available. However, the country's currency reserves and balance of payments surplus have made new loans undesirable. In fact, Chile has been prepaying its multilateral institution obligations.

Private companies can take advantage of the World Bank's International Finance Corporation (IFC), which is providing financing to private sector companies for infrastructure. The IFC is particularly interested in green-field projects, non-traditional industries, cross-border operations, and asset securitization, especially in housing and infrastructure finance.

#### Available Project Financing

Major project financing is available through issue of equity and bonds in the international capital market, and through syndicated loans (see General Financing Availability above). Eximbank offers project financing in Chile. The amount to be financed depends exclusively on the U.S. content of the proposed project. More information available through Eximbank web page [www.exim.gov](http://www.exim.gov)

The following U.S. banks operate in Chile:

Bank	Tel (56-2)	Fax (56-2)
-----	-----	-----
American Express Bank Ltd.	350 6700	335 8308
Bank of America NT & SA	243 7200	243 7393
BankBoston	686 0000	686 0760
The Chase Manhattan Bank, NA	425 5172	425 5367
Citibank, NA	338 8055	338 8155
Republic National Bank of N.Y.	695 2002	698 7512

The following banks, both Chilean and foreign-owned, maintain correspondent banking relationships with U.S. banks:

Chilean Bank	Tel (56-2)	Fax (56-2)
-----	-----	-----
Banco BHIF	679 1001	679 1250



Banco BICE	692 2000	696 5324
Corp Banca	697 8000	672 6729
Banco de A. Edwards	388 3000	388 4012
Banco de Credito e Inversiones	692 7000	695 8961
Banco de Chile	637 1111	637 2560
Banco Santiago	692 4000	695 6342
Banco del Desarrollo	674 5000	688 4266
Banco Internacional	369 7000	369 7367
Banco Security	270 4000	270 4001
Banco Sud Americano	692 6000	698 6008
Banco del Estado	670 7000	670 5711

#### Non-Chilean Banks

-----		
ABN Tanner Bank	396 5000	396 5666
Banco Dresdner Banque Nationale de Paris	696 8201	671 5934
Banco de la Nacion Argentina	696 6935	672 9078
Banco do Brasil	336 3001	336 3005
Banco do Estado de Sao Paulo	695 1307	672 2459
Banco Exterior	385 7000	385 7099
Banco Santander	320 2000	320 2269
ING Barings	330 0600	330 0650
The Bank of Tokyo Ltd.	203 1180	203 1190
Banco Sudameris	638 1514	633 0957

## CHAPTER 9: BUSINESS TRAVEL

### Business Customs

U.S. business people will find that business practices in Chile and the United States are very similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually begin at 1 p.m. and are an hour long, unless business is being conducted, in which case two to three-hour lunches are common. Although social occasions rarely begin at the indicated time, business meetings nearly always do.

Many Chilean business people are well-educated professionals who travel internationally and speak English. However, not all speak English, and foreign business people will often find the ability to speak Spanish very useful, if not an absolute must. Promotional literature should be in Spanish.

### Travel Advisory and Visas

There are neither current travel warnings nor public announcements regarding Chile. Nonetheless, visitors should be aware of the criminal environment in Santiago. Street crime, endemic to many South American cities, is a concern. One should be particularly alert in the downtown area. See the State Department consular information sheet for Chile at [www.travel.state.gov](http://www.travel.state.gov)

Business people who visit Chile usually enter on a regular tourist visa, which is issued by immigration officers at the airport upon arrival. American citizens must pay a fee of \$45.00 at the international check-in point and must be prepared to pay the exact amount in dollars; the visa is valid for ten years or the date of expiration of the U.S. traveler's passport, whichever comes first. Business and tourist visitors are granted stays of 90 days, which can be extended for additional 90 days by the Ministerio del Interior, Of. de Extranjeria (Teatinos 950, Santiago, Chile), or the Gobernacion Provincial outside of the capital. Renewing a business or tourist visa has a cost of US\$ 100.00 per person.

Individuals who intend to stay in Chile for more than 90 days but less than a year for business purposes should obtain a visa from a Chilean consulate in the U.S. Once in Chile, holders of this visa should register at the Policia Internacional (located at Barros Borgoño 1052), where they will be issued a Certificado de Registro. Individuals temporarily residing outside Santiago should register at the corresponding Gobernacion.

Business people may also be granted a Resident Subject to Contract (Residente Sujeto a Contrato) visa. This visa is issued to those who have been contracted to carry out a specific job, requiring certain qualifications. It is valid for up to two years, and such visa holders are allowed to have their spouses and children also reside in the country. A new visa is required if the visa holder changes companies. This visa is also obtained at the Ministerio del Interior, Of. de Extranjeria (Teatinos 950, Santiago, Chile).

For those business people who intend to make sizeable investments in Chile, a temporary resident visa may be advisable. This visa is valid for one year, and can be extended for a second year. It may be obtained at the Ministerio del Interior, Of. de Extranjeria (Teatinos 950, Santiago, Chile).

For current information concerning entry and customs requirements for Chile, travelers can contact the Chilean Embassy in Washington, D.C. or the nearest Chilean Consulate to their U.S. residence. (See Chapter XI, "U.S. and Country Contacts")

All areas of Santiago are affected by pollution that appears as heavy smog in the winter and dust in the summer. Pollution levels rise to unacceptable levels (PM-10 levels of 240 MCG/M3) on an average of five to six times per year. The major health effects include difficulties with

breathing, respiratory problems and aggravation of existing respiratory, cardiovascular, allergic and asthmatic diseases. The most severe pollution occurs during the months of May to October.

The following are Chile's legal holidays for 2001. Because some dates will vary on an annual basis, please check [www.embassy.cl/holiday.htm](http://www.embassy.cl/holiday.htm).

Holiday	Date
New Year's Day	January 1
Good Friday	April 13 (varies)
Easter Sunday	April 15 (varies)
Labor Day	May 1
Commemoration of the Battle of Iquique	May 21
Corpus Christi	June 11 (varies)
Saint Peter and Saint Paul	July 2 (varies)
Assumption Day	August 15
National Day of Reconciliation	September 3 (varies)
Independence Day	September 18
Day of the Army	September 19
Columbus Day	October 15 (varies)
All Saints' Day	November 1
Immaculate Conception	December 8
Christmas Day	December 25

### Business Infrastructure

Business operations develop in a climate of free enterprise and free trade. Simplified bureaucratic procedures are the rule, making the Chilean business environment one of the most transparent and friendly in Latin America. The labor force is regarded as competent, productive, and relatively well educated. Current trends include innovation in export products and in a wide range of services for the domestic market. High foreign and domestic investment have added new technologies to industrial processes and increased competition in distribution and marketing.

A number of business groups control large segments of the economy, but at the same time, the number of medium-size and small companies is growing. Large-scale business is conducted through local corporations whose shares are quoted on the stock market. Since the 1970's, the Government of Chile has carried out a very successful privatization program that has transferred hundreds of companies and public services to private operators, many with foreign capital participation.

U.S. companies established in Chile have maintained successful operations in Chile for decades. The Chilean-American Chamber of Commerce has a large membership of U.S., Chilean and international firms and effectively represents the interests of the corporate community in Chile.

## CHAPTER 10: ECONOMIC AND TRADE STATISTICS

### Country Data

Population :	15 million
Growth Rate:	1.18%
Religion	
Catholic:	77.0%
Protestant:	12.0%
Agnostic/ Atheist:	6.0%
Government System:	Bicameral Democracy
Language:	Spanish
Work Week:	48 hours

### Domestic Economy

(In US million dollars unless otherwise indicated)

	1998	1999	2000 (e)
	-----	-----	-----
Nominal GDP	74,620.0	78,800.0 1/	N/A
Real Growth (%)	3.4	-1.1	6
Per Capita GDP (USD)	4,922.0	4,400.0 1/	54,200.0
Inflation (%)	4.7	2.4	4.0
Unemployment (%)	7.2	9.7	8.0
Gov't Spending/GDP	22.8	24.0	25.0
Reserves (year-end)	15,991.8	14,710.2	15,000.0
Average Exch. Rate (pesos/USD)	460.3	508.8	530.0
Foreign Debt	31,546.0	34,009.0	34,991.0
Debt Service/Exports (%)	6.5	7.0	6.5
U.S. Economic and Military Aid	0.3	0.3	0.3

1/ U.S. dollar values decline due to Chilean peso depreciation

### Trade Statistics

#### Chilean-U.S./Imports and Exports

(Millions of dollars)

	1998	1999	2000 (e)
	-----	-----	-----
Chilean Exports(FOB)	15,077.2	16,098.0	18,110.2
Chilean Imports(CIF)	18,779.0	15,137.6	17,408.2
Imports from U.S.(CIF)	4,025.8	3,025.1	3,599.8
Exports to U.S.(FOB)	2,625.1	3,068.6	3,452.1
U.S. Pct. of Imports	21.4	20.0	17.3

Source: Foreign Trade Indicators (Indicadores de Comercio Exterior)

### Investment Statistics

See data for Foreign Direct Investment in Chile, by country and by sector, in Chapter 7- Foreign Investment.

## CHAPTER 11: U.S. AND COUNTRY CONTACTS

Chile Government Agencies -- <http://www.estado.cl/>

### Ministerio de Relaciones Exteriores (Ministry of Foreign Relations)

Soledad Alvear V., Minister

Catedral 1158, P. 3; Santiago, Chile

Tel: (56-2) 696-2574; Fax: (56-2) 696-8796

Web page: [www.minrel.cl](http://www.minrel.cl)

### Ministerio de Hacienda (Ministry of Finance)

Nicolas Eyzaguirre G., Minister

Teatinos 120, P. 12, Of. 32; Santiago, Chile

Tel: (56-2) 671-0706; Fax: (56-2) 671-6479

Web page: [www.minhda.cl](http://www.minhda.cl)

### Ministerio de Economía, Energía y Minería (Ministry of Economy, Energy & Mines)

Jose De Gregorio, Minister

Teatinos 120, P. 10; Santiago, Chile

Tel: (56-2) 698-3115 or 672-5164; Fax: (56-2) 672-6040

Web page: [www.economia.cl](http://www.economia.cl)

### Ministerio de Trabajo y Prevision Social (Ministry of Labor and Social Security)

Ricardo Solari, Minister

Huerfanos 1273, P. 6; Santiago, Chile  
Tel: (56-2) 671-6443; Fax: (56-2) 671-6539  
Web page: [www.mintrab.gob.cl](http://www.mintrab.gob.cl)

Ministerio de Obras Publicas, Transportes y Telecomunicaciones  
(Ministry of Public Works, Transportation & Telecommunications)  
Carlos Cruz, Minister  
Morande 59, P. 6; Santiago, Chile  
Tel: (56-2) 361-2777 or 361-2776; Fax: (56-2) 672-5281  
Web page: [www.mop.cl](http://www.mop.cl) and [www.mtt.cl](http://www.mtt.cl)

Ministerio de Salud Publica (Ministry of Public Health)  
Michelle Bachelet, Minister  
Mac Iver 541, P. 3; Santiago, Chile  
Tel: (56-2) 639-4084 or 639-4001; Fax: (56-2) 632-2405  
Web page: [www.minsal.cl](http://www.minsal.cl)

Ministerio de Vivienda, Urbanismo y Bienes Nacionales  
(Ministry of Housing, Urbanism & State Property)  
Claudio Orrego L., Minister  
Juan Antonio Rios 6, P. 2; Santiago, Chile  
Tel: (56-2) 690-4224 or 633-9305; Fax: (56-2) 633-6521  
Web page: [www.minvu.gob.cl](http://www.minvu.gob.cl)

Ministerio de Agricultura (Ministry of Agriculture)  
Jaime Campos, Minister  
Teatinos 40, P. 9; Santiago, Chile  
Tel: (56-2) 671-7436 or 696-5896; Fax: (56-2) 671-6500  
Web page: [www.minagri.gob.cl](http://www.minagri.gob.cl)

#### Government-Related Agencies

Banco Central (Central Bank)  
Carlos Massad, President  
Agustinas 1180; Santiago, Chile  
Tel: (56-2) 670-2000; Fax: (56-2) 697-2271  
Web page: [www.bcentral.cl](http://www.bcentral.cl)

Banco del Estado (State Bank of Chile)  
Jaime Esteves, President  
Alameda Bdo. O'Higgins 1111; Santiago, Chile

Tel: (56-2) 670-7000; Fax: (56-2) 670-5008  
Web page: [www.bech.cl](http://www.bech.cl)

Centro de Investigacion Minera y Metalurgica, CIMM (Mining and Metallurgy Research Center)  
Gustavo Lagos, Executive Director  
Parque Antonio Rabat 6500, Vitacura; Santiago, Chile  
Tel: (56-2) 364-3336; Fax: (56-2) 364-3504  
Web page: not available

Comision Nacional de Energia (National Energy Commission)  
Vivianne Blanlot, Executive Secretary  
Teatinos 120, P. 7; Santiago, Chile  
Tel: (56-2) 365-6800; Fax: (56-2) 365-6834  
Web page: [www.cne.cl](http://www.cne.cl)

Comision Chilena de Energia Nuclear (Chilean Nuclear Energy Commission)  
Roberto Hojman, President  
Amunategui 95; Santiago, Chile  
Tel: (56-2) 699-0070; Fax: (56-2) 699-0735  
Web page: [www.cchen.cl](http://www.cchen.cl)

Comision Nacional del Medio Ambiente, CONAMA (National Environmental Commission)  
Adriana Hofmann, Executive Director  
Obispo Donoso 6; Santiago, Chile  
Tel: (56-2) 240-5600; Fax: (56-2) 244-1262  
Web page: [www.conama.cl](http://www.conama.cl)

Comite de Inversiones Extranjeras (Foreign Investment Committee)  
Karin Poniachik, Executive Vice President  
Teatinos 120, P. 10; Santiago, Chile  
Tel: (56-2) 698-4254; Fax: (56-2) 698-9476  
Web page: [www.cinver.cl](http://www.cinver.cl)

Corporacion Nacional del Cobre, CODELCO (National Copper Corporation)  
Juan Villarzu, Executive President  
Huerfanos 1270; Santiago, Chile  
Tel: (56-2) 690-3221 or 690-3238; Fax: (56-2) 690-3288  
Web page: [www.codelcochile.com](http://www.codelcochile.com)

Corporacion de Fomento de la Produccion (National Production Promotion Corporation)  
Gonzalo Rivas, Executive VP

Moneda 921, P. 8, Of. 809; Santiago, Chile  
Tel: (56-2) 631-8200; Fax: (56-2) 638-4003  
Web page: [www.corfo.cl](http://www.corfo.cl)

Corporacion Nacional Forestal, CONAF (National Forestry Commission)  
Carlos Weber, Executive Director  
Avda. Bulnes 285, P. 5, Of. 501; Santiago, Chile  
Tel: (56-2) 696-6677; Fax: (56-2) 671-5881  
Web page: [www.conaf.cl](http://www.conaf.cl)

Direccion General de Obras Publicas (General Administration of Public Works)  
Eduardo Arriagada M., General Director  
Morande 59, P. 3; Santiago, Chile  
Tel: (56-2) 672-7989; Fax: (56-2) 672-7989

Direccion General de Aeronautica Civil (Civil Aviation Administration)  
General Mario Avila, General Director  
Avda. Miguel Claro 1314; Santiago, Chile  
Tel: (56-2) 205-2092; Fax: (56-2) 209-5000  
Web page: [www.dgac.cl](http://www.dgac.cl)

Direccion General de Relaciones Economicas Internacionales  
(General Direction of International Economic Affairs)  
Osvaldo Rosales, General Director  
Maria Gabriela Riutort, Prochile Director  
Alameda Bdo. O'Higgins 1315; Santiago, Chile  
Tel: (56-2) 565-9000; Fax: (56-2) 696-0639  
Web page: [www.prochile.cl](http://www.prochile.cl) and [www.chileinfo.com](http://www.chileinfo.com)

Empresa de Ferrocarriles del Estado, EFE (Chilean State Railways)  
Jaime Mondaca, General Manager  
Alameda Bdo. O'Higgins 3322, P. 3; Santiago, Chile  
Tel: (56-2) 776-2800; Fax: (56-2) 776-2052  
Web page: [www.efe.cl](http://www.efe.cl)

Empresa Nacional del Carbon S.A., ENACAR (State Coal Producing Enterprise)  
Nelson Hernandez, General Manager  
La Bolsa 81, Of. 201; Santiago, Chile  
Tel: (56-2) 673-2351; Fax: (56-2) 673-2352

Empresa Nacional del Petroleo, ENAP (State Oil and Gas Producing Enterprise)



Daniel Fernandez, General Manager  
Vitacura 2736; Santiago, Chile  
Tel: (56-2) 280-3000; Fax: (56-2) 234-9201  
Web page: [www.enap.cl](http://www.enap.cl)

Junta de Aeronautica Civil (Civil Aviation Commission)  
Juan Pablo Langlois, Secretary General  
Amunategui 139, P. 7; Santiago, Chile  
Tel: (56-2) 698-5594; Fax: (56-2) 698-3148

Ministerio de Obras Publicas, Depto. Concesiones  
(Ministry of Public Works, Concessions Dept.)  
Ricardo Badilla, General Coordinator of Concessions  
Merced 753, P. 9; Santiago, Chile  
Tel: (56-2) 361-3602; Fax: (56-2) 639-0233  
Web page: [www.mop.cl](http://www.mop.cl)

Of. de Estudios y Politicas Agricolas, ODEPA (Office of Agricultural Policies and Studies)  
Carlos Furche, National Director  
Teatinos 40, P. 8; Santiago, Chile  
Tel: (56-2) 696-3241; Fax: (56-2) 695-7795  
Web page: [www.odepa.gob.cl](http://www.odepa.gob.cl)

Superintendencia de Electricidad y Combustibles (Superintendency of Electricity and Fuel)  
Alejandro Ferreiro, Superintendent  
Amunategui 58, P. 3; Santiago, Chile  
Tel: (56-2) 696-4226 Ext. 306; Fax: (56-2) 672-7708  
Web page: [www.sec.cl](http://www.sec.cl)

Servicio Nacional de Geologia y Minería (SERNAGEOMIN)  
(National Geological and Mining Agency)  
Ricardo Troncoso, National Director  
Santa Maria 0104, Providencia; Santiago, Chile  
Tel: (56-2) 737-5050; Fax: (56-2) 735-5031  
Web page: [www.sernageomin.cl](http://www.sernageomin.cl)

Servicio de Impuestos Internos (Internal Revenue Service)  
Javier Etcheberry, National Director  
Teatinos 120, P. 6; Santiago, Chile  
Tel: (56-2) 395-1600; Fax: (56-2) 395-1669  
Web page: [www.sii.cl](http://www.sii.cl)

Servicio Nacional de Aduanas (National Customs Service)

Cristian Palma, National Director

Plaza Sotomayor 60; Valparaiso, Chile

Tel: (56-32) 20-0500; Fax: (56-32) 23-0591

Web page: [www.aduana.co.cl](http://www.aduana.co.cl)

Servicio Agrícola y Ganadero, SAG (Agriculture and Livestock Service)

Lorenzo Caballero, National Director

Bulnes 140, P. 8; Santiago, Chile

Tel: (56-2) 671-2323; Fax: (56-2) 672-1812

Web page: [www.sag.gob.cl](http://www.sag.gob.cl)

Servicio Nacional de Pesca (National Fisheries Service)

Sergio Mujica, Director

Teatinos 120, P. 8, Of. 806; Santiago, Chile

Tel: (56-2) 698-0543; Fax: (56-2) 696-0784

Web page: [www.sernapesca.cl](http://www.sernapesca.cl)

Servicio Nacional de Turismo, SERNATUR (National Tourism Service)

Oscar Santelices, Director

Providencia 1550; Santiago, Chile

Tel: (56-2) 731-8418; Fax: (56-2) 236-1417

Web page: [www.sernatur.cl](http://www.sernatur.cl)

Servicio de Salud Metropolitano del Ambiente (Metropolitan Environmental Service)

Luis Concha G., Director

Bulnes 175, Santiago, Chile

Tel: (56-2) 671-4304; Fax: (56-2) 699-3339

Web page: [www.sesma.cl](http://www.sesma.cl)

Superintendencia de Bancos e Instituciones Financieras

(Superintendency of Banks and Financial Institutions)

Ernesto Livacic, Superintendent

Moneda 1123, P. 6; Santiago, Chile

Tel: (56-2) 442-6200; Fax: (56-2) 441-0914

Web page: [www.sbif.cl](http://www.sbif.cl)

Superintendencia de Valores y Seguros (Superintendency of Securities and Insurance)

Alvaro Clarke, Superintendent

Teatinos 120, P. 6; Santiago, Chile

Tel: (56-2) 549-5959; Fax: (56-2) 549-5892  
Web page: [www.svs.cl](http://www.svs.cl)

Superintendencia de Administradoras de Fondos de Pensiones  
(Superintendency of Pension Fund Administration)  
Alejandro Ferreiro, Superintendent  
Huerfanos 1273, P. 2; Santiago, Chile  
Tel: (56-2) 671-6074  
Fax: (56-2) 672-2312  
Web page: [www.safp.cl](http://www.safp.cl)

Superintendencia de Servicios Sanitarias (Superintendency of Sanitary Services)  
Juan Eduardo Saldivia, Superintendent  
Moneda 673, P. 7; Santiago, Chile  
Tel: (56-2) 382-4000; Fax: (56-2) 382-4003  
Web page: [www.siss.cl](http://www.siss.cl)

#### Country Trade Associations/Chambers of Commerce

Asociacion Chilena de Empresas Mayoristas y Representantes de Turismo (ACHMART)  
Jose Luis Hoyl, President  
Antonio Bellet 77, P. 12; Santiago, Chile  
Tel: (56-2) 236-1549; Fax: (56-2) 244-3325

Asociacion de Bancos e Instituciones Financieras  
(Association of Banks and Financial Institutions)  
Hernan Somerville, President  
Ahumada 179, P. 12; Santiago, Chile  
Tel: (56-2) 671-7149; Fax: (56-2) 698-8945  
Web page: [www.abif.cl](http://www.abif.cl)

Asociacion de Distribuidores de Combustibles de Chile  
(National Fuel Distributors Association)  
Fernando Rodriguez, President  
Miguel Claro 1431, Of. 101, Providencia; Santiago, Chile  
Tel: (56-2) 205-5456; Fax: (56-2) 204-1495

Asociacion de Distribuidores de Software (Software Distributors' Association)  
Ximena Verdaguer, Presidente  
San Sebastian 2839, Of. 605, Las Condes; Santiago, Chile  
Tel: (56-2) 246-3630; Fax: (56-2) 246-3867

Web page: [www.ads.cl](http://www.ads.cl)

Asociacion de Empresas de Servicio Publico (Public Utility Companies Association)

Guillermo Matta, President

Andres Bello 1051, Of. 2001, Providencia; Santiago, Chile

Tel: (56-2) 235-7374, 236-1204; Fax: (56-2) 235-7374

Asociacion de Industrias Metalurgicas y Metalmechanicas (ASIMET)

(Metallurgic and Metalmechanic Industries Association)

Hermann Von Muhlenbrock, President

Av. Andres Bello 2777, P. 4; Santiago, Chile

Tel: (56-2) 374-2626; Fax: (56-2) 203-3025

Web page: [www.asimet.cl](http://www.asimet.cl)

Asociacion de Productores y Representantes de Productos Lubricantes (ASOLUB)

(Lubricant Producers and Representatives Association)

Juan Pablo del Campo, President

Providencia 2601, Of. 11; Santiago, Chile

Tel: (56-2) 231-7406; Fax: (56-2) 231-7406

Asociacion Gremial de Corredores de Propiedades y Promotores de la Construccion (ACOP)

(Association of Real Estate and Construction Promoters)

Jose Francisco Montalva, President

Providencia 2008-A, P. 2; Santiago, Chile

Tel: (56-2) 366-0414; Fax: (56-2) 233-5110

Web page: [www.acop21.com](http://www.acop21.com)

Asociacion Gremial de Industriales Quimicos (ASIQUEM)

(Chemical Industry Association)

Werner Lothholz, President

Av. Andres Bello 2777, Of. 501; Santiago, Chile

Tel: (56-2) 203-3350; Fax: (56-2) 203-3351

Web page: [www.asiquim.cl](http://www.asiquim.cl)

Asociacion Gremial de la Mediana y Pequena Industria de Chile (AMPICH)

(Chilean Small- and Mid-Size Industry Association)

Jorge Buron, President

Republica 371; Santiago, Chile

Tel: (56-2) 689-4260; Fax: (56-2) 689-4260

Asociacion Gremial de Medianos y Pequenos Industriales Metalurgicos (CORMETAL)

(Small- and Mid-size Metallurgic Industry Association)

Sergio Cortes, President

Ejercito 426; Santiago, Chile

Tel: (56-2) 671-4150; Fax: (56-2) 671-4150

Asociacion Gremial Nacional de Duenos de Establecimientos Comerciales (SIDEKO)

(National Association of Commercial Establishment Owners)

Contact: James Raby, President

Huerfanos 779, Of. 801; Santiago, Chile

Tel: (56-2) 633-1108, 633-1109

Fax: (56-2) 632-5698

Asociacion Gremial de Laboratorios Farmaceuticos (AGRELAF) (Pharmaceutical Laboratories Association, formed by members of the Pharmaceutical Research Manufacturing Association)

Jose A. Visconti, President

Carmencita 25, Of. 62; Santiago, Chile

Tel: (56-2) 333-0690; Fax: (56-2) 333-0677

Asociacion Nacional de Importadores (National Association of Importers)

Jose A. Oyarzun, General Manager

Monjitas 392, P. 28; Santiago, Chile

Tel: (56-2) 360-7028; Fax: (56-2) 633-0962

Asociacion de Exportadores de Chile (Chilean Exporters Association)

Ronald Bown, President

Cruz del Sur 133, P. 2; Santiago, Chile

Tel: (56-2) 206-6604; Fax: (56-2) 206-4163

Web page: [www.cffa.org](http://www.cffa.org)

Camara Chilena de la Construccion (Chilean Construction Chamber)

Horacio Pavez, President

Juan Carlos de la Larraechea, Secretary General;

Marchant Pereira 10, P. 3, Providencia; Santiago, Chile

Tel: (56-2) 376-3300; Fax: (56-2) 371-3430

Web page: [www.cchc.cl](http://www.cchc.cl)

Chilean-American Chamber of Commerce (Amcham)

Stephen Terni, President

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Av. Kennedy 5741, Torre Poniente, Suite 201

Tel: (56-2) 290-9700; Fax: (56-2) 206-0911

Web page: [www.amchamchile.cl](http://www.amchamchile.cl)

Camara de Comercio de Santiago (Santiago Chamber of Commerce)

Esteban Alvano, President

Santa Lucia 302; Santiago, Chile

Tel: (56-2) 360-7000; Fax: (56-2) 633-3395

Web page: [www.ccs.cl](http://www.ccs.cl)

Camara de la Industria Cosmetica de Chile (Chilean Cosmetics Industry Chamber)

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Camara de la Industria Farmaceutica de Chile

(Pharmaceutical Industry Association -- formed by members of the Pharmaceutical Research Manufacturing Association and European Pharmaceutical Laboratories)

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Jose Manuel Cousino, Executive Vice President

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Camara Nacional de Comercio, Servicio y Turismo de Chile

(National Chamber of Commerce, Services and Tourism)

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Web page: [www.cnc.cl](http://www.cnc.cl)

Corporacion Chilena de la Madera, CORMA (National Wood Corporation)

Jose Ignacio Letamendi, President

Agustinas 1357, P. 3; Santiago, Chile

Tel: (56-2) 688-7978; Fax: (56-2) 688-7988

Web page: [www.corma.cl](http://www.corma.cl)

Empresa Chilena de Empresas de Turismo (ACHET)

(Chilean Association of Chilean Tourism Agencies)

Maria Eugenia Castro, President

Moneda 973, Of. 647; Santiago, Chile

Tel: (56-2) 699-2140, 696-5677; Fax: (56-2) 699-4245

Web page: [www.achet.cl](http://www.achet.cl)

Federacion de Productores de Fruta de Chile (FEDEFruta)

(National Fruit Producers' Association)  
Luis Schmidt, President  
San Antonio 220, Of. 301; Santiago, Chile  
Tel: (56-2) 632-5274; Fax: (56-2) 632-7327  
Web page: [www.cffa.org](http://www.cffa.org)

Instituto Textil de Chile (Chilean Textile Institute)  
Mario Garcia, Executive President  
Av. Andres Bello 2777, Of. 502; Santiago, Chile  
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Sociedad de Fomento Fabril, SOFOFA (Chilean Industrial Society)  
Contact: Felipe Lamarca, President  
Av. Andres Bello 2777, P. 3; Santiago, Chile  
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Web page: [www.sfs.cl](http://www.sfs.cl)

Visit USA Committee Chile  
Barbara Urzua, President  
Zurich 221, Of. 13; Santiago, Chile  
Tel: (56-2) 342-1634; Fax: (56-2) 202-1523

World Trade Center  
Pedro Pablo Alamos, President  
Nueva Tajamar 481, Of. 101; Santiago, Chile  
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Web page: [www.adimark.cl](http://www.adimark.cl)

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Web page: [www.arthurandersen.com](http://www.arthurandersen.com)

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Carol Heitmann, Director  
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E-mail: cheitman@rdc.cl

Deloitte & Touche  
Santiago Meersohn, Senior Partner  
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Fax: (56-2) 632-7769  
Web page: [www.deloitte.cl](http://www.deloitte.cl)

Ernst & Young  
Juan Humud, President  
Phillips 56, Of. 46; Santiago, Chile  
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Web page: [www.ey.cl](http://www.ey.cl)

Instituto de Estudios Bancarios Guillermo Subercaseaux  
(Guillermo Subercaseaux Institute of Banking Studies)  
Lucia Pardo, Rector  
Agustinas 1476, P. 10; Santiago, Chile  
Tel: (56-2) 698-1972, 696-8920; Fax: (56-2) 699-3634  
Web page: [www.ieb.cl](http://www.ieb.cl)

Instituto Chileno de Administracion Racional de la Empresa (ICARE)  
(Chilean Business Institute of Rational Business Administration)  
Mauricio Larrain, President  
Huerfanos 801, P. 6; Santiago, Chile  
Tel: (56-2) 639-4202; Fax: (56-2) 639-3628  
Web page: [www.icare.cl](http://www.icare.cl)

Price Waterhouse Coopers  
Lisandro Serrano, Partner  
Huerfanos 863, P. 4; Santiago, Chile  
Tel: (56-2) 638-3023; Fax: (56-2) 633-3329  
Web page: [www.pwglocal.com](http://www.pwglocal.com)

Puente Sur



Nicholas Walker, Director  
James Sickler, Director  
Santa Beatriz 120; Santiago, Chile  
Tel: (56-2) 365-1848; Fax: (56-2) 365-1845  
Web page: [www.puente-sur.com](http://www.puente-sur.com)

## Commercial Banks in Chile

### Chilean and Foreign Banks

Banco BHIF  
Carlos Senent, General Manager  
Huerfanos 1234; Santiago, Chile  
Tel: (56-2) 679-1000; Fax: (56-2) 679-1250  
Web page: [www.bhif.cl](http://www.bhif.cl)

Banco Bice  
Cristian Eyzaguirre, General Manager  
Teatinos 220; Santiago, Chile  
Tel: (56-2) 692-2000; Fax: (56-2) 696-5324  
Web page: [www.bice.cl](http://www.bice.cl)

Corp Banca  
Jorge Selume Z., General Manager  
Huerfanos 1072, P. 6; Santiago, Chile  
Tel: (56-2) 698-2741; Fax: (56-2) 672-6729  
Web page: [www.corpbanca.cl](http://www.corpbanca.cl)

Banco de A. Edwards  
Gustavo Fabres, General Manager  
Huerfanos 740; Santiago, Chile  
Tel: (56-2) 388-3000; Fax: (56-2) 388-4100  
Web page: [www.banedwards.cl](http://www.banedwards.cl)

Banco de Chile  
Rene Lehuede, General Manager  
Ahumada 251; Santiago, Chile  
Tel: (56-2) 637-1111; Fax: (56-2) 637-2560  
Web page: [www.bancochile.cl](http://www.bancochile.cl)

Banco de Credito e Inversiones

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Tel: (56-2) 692-7000; Fax: (56-2) 695-8961  
Web page: [www.bci.cl](http://www.bci.cl)

Banco del Desarrollo  
Hugo Trivelli, General Manager  
Avda. Lib. Bernardo O'Higgins 949, P. 3; Santiago, Chile  
Tel: (56-2) 674-5000; Fax: (56-2) 688-4266  
Web page: [www.bdd.cl](http://www.bdd.cl)

Banco del Estado de Chile  
Jose Manuel Mena V., General Manager  
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Tel: (56-2) 670-5037; Fax: (56-2) 670-5044  
Web page: [www.bancoestado.cl](http://www.bancoestado.cl)

Banco Santander  
Oscar Von-Chrismar, General Manager  
Bandera 140, P. 20; Santiago, Chile  
Tel: (56-2) 631-2000; Fax: (56-2) 672-3166  
Web page: [www.bsantander.cl](http://www.bsantander.cl)

Banco Santiago  
Fernando Canas, General Manager  
Bandera 201; Santiago, Chile  
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Web page: [www.bancosantiago.cl](http://www.bancosantiago.cl)

Banco Security  
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Tel: (56-2) 270-4000; Fax: (56-2) 270-4001  
Web page: [www.security.cl](http://www.security.cl)

Banco Sud Americano  
Luis Fernando Tobon, General Manager  
Morande 226; Santiago, Chile  
Tel: (56-2) 692-6000; Fax: (56-2) 692-5400  
Web page: [www.bsa.cl](http://www.bsa.cl)

## U.S. Banks

### American Express

Mario Mora, General Manager

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### The Chase Manhattan Bank

Kathleen C. Barclay, Managing Director

M. Sanchez Fontecilla 310, P. 10; Santiago, Chile

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E-mail: [www.chase.com](http://www.chase.com)

### Citibank

Ariel Sevi, General Manager

Av. Andres Bello 2687, P. 7; Santiago, Chile

Tel: (56-2) 338-8156; Fax: (56-2) 338-8155

Web page: [www.citicorp.com.chile](http://www.citicorp.com.chile)

### Bank of America

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Web page: [www.bankamerica.com](http://www.bankamerica.com)

### BankBoston N.A.

Jorge Ramirez, General Manager

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### HSBC Bank USA

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Jeremy Martin, Chile Country Manager  
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Email: aangulo@tda.gov and jmartin@tda.gov

Export-Import Bank (EXIMBANK)  
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Washington, D.C. 20571  
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E-mail: wilson.llerena@exim.gov

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Consulate General in Houston, Texas

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Houston, TX 77056  
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Email: winsil@hal-pc.org

Consulate General in New York, New York

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Consulate General in San Juan, Puerto Rico

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Consulate General in Chicago, Illinois  
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Consulate General in Philadelphia, Pennsylvania  
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#### Other Chilean Government-Related Entities in the U.S.

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Tel: (954) 229-8007, 229-8005; Fax: (954) 229-8006

Corporacion Nacional del Cobre, CODELCO (Chilean Copper Corporation)  
CODELCO U.S.A., CODELCO METALS  
177 Broad Street, 14<sup>th</sup> Floor  
Stanford, Connecticut 06901  
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#### Chilean Government Trade Offices in the U.S. -- [www.chileinfo.com](http://www.chileinfo.com)

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ProChile in New York  
Marcelo Salas R., Director



866 United Nations Plaza, Suite 603  
Tel: (212) 207-3266; Fax: (212) 207-3649  
Email: [info@chileinfo.com](mailto:info@chileinfo.com)

ProChile in Miami  
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ProChile in Chicago  
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Tel: (312) 255-9615; Fax: (312) 654-8948  
Email: [PEDROBRAVO@aol.com](mailto:PEDROBRAVO@aol.com)

## CHAPTER 12: MARKET RESEARCH

### Agricultural Reports

Annual reports on market opportunities and key sectors by commodity can be found at [www.fas.usda.gov](http://www.fas.usda.gov)

### Industry Reports

The Commercial Service of the U.S. Department of Commerce publishes market research such as International Market Insights (called IMIs and briefly highlight a market opportunity) or Industry Sector Analysis (called ISAs and provide more in-depth analysis of a market sector). These reports can be found at [www.stat-usa.gov](http://www.stat-usa.gov) or [www.tradeport.org/ts/countries/chile/index.html](http://www.tradeport.org/ts/countries/chile/index.html)

## CHAPTER 13: TRADE EVENT SCHEDULE

For list of trade shows recommended by the U.S. Commercial Service in Santiago, visit [www.usatrade.gov/chile](http://www.usatrade.gov/chile), and click on news. For an additional list of trade shows in Chile, visit [www.fisa.cl](http://www.fisa.cl), [www.casapiedra.cl](http://www.casapiedra.cl), [www.puntodiez.cl](http://www.puntodiez.cl), and [www.exponer.cl](http://www.exponer.cl).

